



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, MARIANAS
PSC 455, BOX 195
FPO AP 96540-2937

IN REPLY REFER TO:
5720
Ser 00/50
3 Mar 17

Tony Tolen
1240 Bayshore Highway
Burlingame, CA 94010

Dear Mr. Tolen:

SUBJECT: FREEDOM OF INFORMATION ACT (FOIA) REQUEST 17-003

This letter responds to your Freedom of Information Act (FOIA) request dated January 19, 2017, in which you seek all correspondences between NAVFAC and Defense Contract Audit Agency (DCAA) related to Environmental Chemical Corporation (ECC) under NAVFAC Contract No. N40192-14-C-1300.

This office received your request on January 25, 2017, and assigned file number 17-003. On February 3, 2017, you narrowed the scope of your request to all correspondences between NAVFAC and DCAA regarding the Navy's request for an assist audit of ECC's proposed cost and DCAA's inability to perform the audit.

We have identified 91 pages of documents that are responsive to your request. Upon review of these documents, we have determined that they contain instances of DoD contractor proposal information which are exempt from disclosure under 10 U.S.C. § 2305(g); commercial or financial information exempt from disclosure under Exemption (b)(4); and deliberative-process privilege information exempt from disclosure under Exemption (b)(5).

Because your request is partially denied, you are advised of your right to appeal this determination, in writing, to Ms. April Christensen, Associate Counsel (FOIA Appeals), 1000 Navy Pentagon, Room 5A532, Washington, DC 20350-1000. Your appeal must be postmarked within ninety (90) calendar days from the date of this letter. A copy of your initial request and this letter must accompany the appeal. The appeal should be marked "Freedom of Information Appeal" both on the envelope and the face of the letter. In order to expedite the appellate process and ensure full consideration of your appeal, your appeal should contain a brief statement of the reasons you believe this decision to be in error.

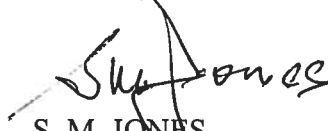
The fees incurred to process your request amounts to seven hundred twenty-six dollars (\$726.00) for search and review. Please remit your payment online via Pay.gov or forward a check or money order, payable to the "Treasurer of the United States" for the stated amount, to the address stated above and to the attention of Ms. Eileen Sanchez, Comptroller's Office, within 30 calendar days from the date of this correspondence. Please reference FOIA file Number 17-003 with your remittance.

SUBJ: FREEDOM OF INFORMATION ACT (FOIA) REQUEST 17-003

Should you have questions regarding the action this office took, you may contact the DoD Navy Component FOIA Public Liaison, Mr. Chris Julka, at (703) 697-0031 or via e-mail at christopher.a.julka@navy.mil.

Further questions concerning your FOIA request should be directed to Thomas Ngiraterged at (671) 333-2277 or via e-mail at thomas.ngiraterged@fe.navy.mil.

Sincerely,

A handwritten signature in black ink, appearing to read "S. M. Jones", written over a horizontal line.

S. M. JONES
Captain, Civil Engineer Corps, U.S. Navy
Commanding Officer

Enclosure 1. CD Disc

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, December 23, 2015 9:13 AM
To: 'Smith, David, Mr, DCAA'
Cc: Frontiero, Tony CIV USN NAVFACMAR; Delgado, Augusto I CIV NAVFAC; Peredo, Roanna K CIV USN NAVFAC
Subject: Request for Audit: N40192-14-C-1300 Modification Proposal exceeding \$10 million
Attachments: DCAA Attachment Index of PC04.xlsx; Proposal Adequacy Checklist_PC04.xlsx; RF-160029 Request for Audit_PC04.pdf

Dear Mr. Smith: Attached request for audit and index of attachments. The contractor declined to complete the proposal adequacy checklist so we have prepared it as an internal document to assist with your assessment. This audit includes a review of both direct and indirect costs (fringes and overhead) for a total of 4 companies. Please let me know whether February 23, 2016 is realistic for completion. There is a partial suspension currently in effect pending execution of a contract modification for this change, which is dependent on the timeline or outcome of this audit.

Kindly confirm receipt of this message and all 39 documents that will be transmitted through AMRDEC SAFE today. I look forward to your reply and notification of the assigned auditor and contact information.

Merry Christmas to you and the team!

Thank you,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: 355-7131

PRIVACY ACT - 1974 as amended applies. This email may contain information, which must be protected IAW DOD 5400.11R, and is "FOR OFFICIAL USE ONLY (FOUO)."

-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Tuesday, November 03, 2015 4:55 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: RE: Preliminary Request for Audit: Modification Proposal exceeding \$10 million

Jenais, we have received your preliminary audit request below and will await Nova's proposal submission. I will assign an auditor when we receive Nova's proposal.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Sunday, November 01, 2015 2:41 PM
To: DCAA-FAO4571
Cc: augusto.delgado@fe.navy.mil; Anthony.P.Frontiero@fe.navy.mil
Subject: FW: Preliminary Request for Audit: Modification Proposal exceeding \$10 million

Please confirm receipt of the below message and provide an extension number for the auditor to be assigned. Thank you.

Regards,
Jenais L. G. Guerrero
Contracting Officer
Naval Facilities Engineering Command Marianas
ROICC Finegayen (NCTS)
PSC 455, Box
195 FPO AP 96540
Email: jenais.guerrero@fe.navy.mil
Tel: 355-7131

Time Zone: Chamorro Standard Time (ChST) - UTC+10

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Thursday, October 29, 2015 10:57 AM
To: 'dcaa_fao4571@dcaa.mil'
Cc: Frontiero, Tony CIV USN NAVFACMAR; Delgado, Augusto I CIV NAVFAC
Subject: FW: Preliminary Request for Audit: Modification Proposal exceeding \$10 million

Dear DCAA: This is preliminary notification that I will be submitting a request for audit services on a proposal modification that exceeds \$10 million for NOVA GROUP, INC-UNDERGROUND CONSTRUCTION (Napa, California), Cage code 4XL05. I am currently in the process of waiting for the contractor to resubmit its proposal in the Table 15-2 format. Because the subcontractor's proposal, (b) (4), also exceeds the cost and pricing threshold, DCAA Pacific Branch was engaged below. The scope of work for this modification is to provide intrusive investigation services off base for munitions and explosives of concern in accordance with requirements of the Explosive Safety Submission (ESS) program on Guam and the project is currently in a partial suspension in order to comply.

Please let me know who will be the primary point of contact or auditor assigned and all relevant contact information.

Thank you,
Jenais L. G. Guerrero
Contracting Officer
Naval Facilities Engineering Command Marianas
ROICC Finegayen (NCTS)
PSC 455, Box
195 FPO AP 96540
Email: jenais.guerrero@fe.navy.mil
Tel: 355-7131
Time Zone: Chamorro Standard Time (ChST) - UTC+10

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-----Original Message-----

From: Box, Evelyn, Ms, DCAA [mailto:Evelyn.Box@dcaa.mil]
Sent: Tuesday, October 27, 2015 6:24 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Reyes, Adelaida, Ms, DCAA; Frontiero, Tony CIV USN NAVFACMAR; Delgado, Augusto I CIV NAVFAC; Gonzalez, Carolyn, Mrs, DCAA
Subject: RE: Preliminary Request for Audit: Modification Proposal exceeding \$10 million

Hi Jenais,

Sorry I missed your call last week. DCAA Folsom Branch Office (FBO) is the cognizant DCAA office of Nova Group in Napa California and their contact information is as follows:

Folsom Branch Office
2365 Iron Point Rd., Ste 205
Folsom, CA 95630-8711
(916) 817-6000
dcaa-fao4571@dcaa.mil

FBO can assist you with the audit of Nova Group's prime contract proposal. If (b) (4) accounting records and supporting data are located in Hawaii, and an assist audit is warranted based on FBO risk assessment, they can request an assist audit from our office to evaluate the (b) (4) subcontract proposal.

Let me know if you have any questions. I'm currently out of the office but returning next week, November 2nd.

Thanks, Evelyn

=====FOR OFFICIAL USE
ONLY=====

Best regards,

Evelyn Box, CPA

Supervisory Auditor

DCAA Balboa Branch Office, Hawaii-Suboffice

Tel. No. : (808) 522-8000, Ext. 1188

E-mail: evelyn.box@dcaa.mil

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DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND MARIANAS
PSC 455, BOX 195
FPO AP 96540-2937

IN REPLY REFER TO:
Ser RF-160029
December 23, 2015

SENT VIA EMAIL: david.smith@dcaa.mil

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
2365 Iron Point Rd., Suite 205
Folsom, CA 95630-8711

Subj: REQUEST FOR AUDIT ON CONTRACTOR'S PROPOSAL FOR PROPOSED CHANGE 04
(MUNITIONS AND EXPLOSIVES OF CONCERN INTRUSIVE INVESTIGATIONS LOCATED OFF
BASE): CONTRACT NO. N40192-14-C-1300 FY13 MILCON DESC 1303 UPGRADE FUEL PIPELINE,
SASA VALLEY FUEL FARM TO ANDERSEN AIR FORCE BASE, GUAM

Encl: (1) Contractor's revised proposal (R3) received December 3, 2015
(2) Request for proposal dated September 4, 2015
(3) Amendment 01 of RFP dated October 16, 2015
(4) Unilateral Modification P000003 dated November 17, 2014, paragraph B (2)
(5) Contractor correspondence H-035 and H-062 and email correspondence
(6) Government response to H-062 dated July 9, 2015
(7) Modification (P00010) language on Field Office Overhead (FOOH) rates
(8) Independent Audit on Prime Contractor Home Office Overhead dated February 9, 2015

Dear Mr. Smith:

Please provide audit assistance on the proposal from the prime contractor, Nova Group, Inc. - Underground Construction, a Joint Venture (JV), *enclosure (1)*. The request for proposal (RFP) and subsequent amendment will result in the award of a modification to the subject contract, *enclosures (2)* and (3). To date, twenty two (22) modifications have been issued. The audit report will assist contracting personnel to negotiate a fair and reasonable price for the scope of work described in the RFP. The project is currently in a partial suspension period since July 2, 2015 pending the issuance of this modification and/or until some relief for munitions and explosives of concern (MEC) requirements is received from the Secretary of the Navy (SECNAV). Therefore, the enclosed RFP issued on September 4, 2015 covers two separate scopes: (a) current contract requirements for intrusive investigation down to construction depth or bedrock; and (b) reduced requirements for intrusive investigation for the top 18 inches in layers, which assumes some relief from SECNAV is granted.

However, the audit is only to request for the most stringent scope or (a) above to construction depth or bedrock since it is uncertain when a decision from SECNAV is anticipated. In particular, request audit assistance of the certified cost and pricing data for proposals \$750,000 and over submitted by the Joint Venture and proposed subcontractors:

Nova Group Inc. – Underground Construction, JV (DUNS: 808474261/ Cage Code: 4XL05)

(b) (4)

ECC International LLC (DUNS 192529779 / Cage Code 30EY7)

(b) (4)

Prime contractor costs: Evaluate direct and indirect costs including fringe and overhead rates. (b) (4)

(b) (4)

(b) (4)

(b) (5)

(b) (5)

Prime Contractor Point of Contact:

Mr. Aaron Isle, Project Manager (Nova Group Inc.)
Email: aisle@novagrp.com
Telephone: Office (707) 265-1162 / Mobile (707) 492-2481
Address: 185 Devlin Road, Napa, CA. 94558-7501

Prime Contractor POC (Secondary):

Mr. Chris Mathies, Vice President of Operations
Email: cmathies@novagrp.com
Telephone: Office (707) 265-1151 / Mobile (707) 299-9513
Address: 185 Devlin Road, Napa, CA. 94558-7501

Subcontractor costs: Evaluate direct and indirect costs including fringe and overhead rates. (b) (4)

(b) (4)

(b) (4)

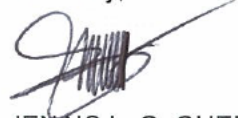
(b) (4)

ECC has provided a copy of its indirect rates submitted to DCAA, Fremont, California dated October 20, 2015. However, ECC has not provided any current documentation of the actual rate recommended by DCAA. All three subcontractors have performed work in Guam on current and past projects for NAVFAC Marianas. Please include our office in any written correspondence or requests with the prime to coordinate this audit.

In your report, please also address whether proposed costs for both prime and subcontractors are in accordance with the company's established accounting practices and cost estimating systems and procedures. A separate report is requested to address the prime contractor's field office overhead rate. All documents and enclosures above will be transmitted separately through AMRDEC SAFE and are listed in the attachment index submitted with this request. Please confirm receipt of all thirty nine (39) documents at the email addresses below at your earliest convenience.

Recommend that we schedule a teleconference before the audit assessment commences so that the assigned auditor may benefit from some background on the project or to address any preliminary questions. Please send your electronic audit reports directly to jenais.guerrero@fe.navy.mil and augusto.delgado@fe.navy.mil on or before **February 23, 2016** or provide an estimate of when the reports can be expected. I am available at (671) 355-7131 (Chamorro Standard Time) to discuss any additional information required for the audit. Thank you very much for your assistance.

Sincerely,



JENAI S. L. G. GUERRERO
Contracting Officer

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Delgado, Augusto I CIV NAVFAC
Sent: Thursday, February 11, 2016 7:29 AM
To: Smith, David, Mr, DCAA
Cc: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: RE: Risk Assessment for N40192-14-C-1300
Attachments: DCAA AUDIT.zip

David,

Resubmitting Zipped file with supporting attachments. Please confirm receipt. Thank you.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Thursday, February 11, 2016 4:11 AM
To: Delgado, Augusto I CIV NAVFAC
Subject: RE: Risk Assessment for N40192-14-C-1300

I only have 1 file which is a pdf document - DCAA Attachment Index...

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]
Sent: Tuesday, February 09, 2016 1:05 AM
To: Smith, David, Mr, DCAA; Anthony.P.Frontiero@fe.navy.mil;
Jenais.Guerrero@fe.navy.mil
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

David,

In regards to our 2/2/16 conference call, I am forwarding supporting documents provided by NOVA Project Manager, Aaron Isle. There are a total of 11 documents including an attachment index for your records. Kindly confirm receipt of all 11 documents. Thank you for your assistance.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

PRIVACY ACT - 1974 as amended applies. This email may contain
> information which must be protected IAW DOD 5400.11R, and is "FOR
> OFFICIAL USE ONLY (FOUO)."

-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Wednesday, January 27, 2016 10:26 AM
To: Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR;
Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Augusto, as we discussed, the proposal needs to include:

1. A consolidated priced bill of materials to support proposed direct materials (b) (4)
2. Detailed basis of estimate (BOE) for proposed direct labor hours
3. Time phased labor hours and applied labor rates by labor category to support proposed direct labor (b) (4)
4. Calculation of the proposed Field Office Overhead rate(s) including how the rates are applied to support proposed FOOH (b) (4)
5. Calculation of the proposed Home Office Overhead rate(s) including how the rates are applied to support proposed HOOH (b) (4)

6. A list of the subcontractor's including applicable addresses, POCs, etc. and the subcontract type, amount, etc. to support proposed subcontract costs of (b) (4)

Please let me know when we can have a conference call with the contractor to clarify the above items.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]
Sent: Tuesday, January 26, 2016 4:03 PM
To: Smith, David, Mr, DCAA; Anthony.P.Frontiero@fe.navy.mil;
Jenais.Guerrero@fe.navy.mil
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

David,

Thank you for returning my call today. Would it be possible to get a list of the points of discussion you would like to address or the areas of the proposal where you have questions? Thank you.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Tuesday, January 26, 2016 9:58 AM
To: Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR;
Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia,
Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Augusto, I have reviewed the proposal data provided by Nova and it does not appear adequate for audit. I would like to discuss the proposal directly with the Nova POC to clarify what we need to perform an audit of the subject proposal. Please contact me ASAP to discuss having a conference call with you and the contractor POC.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Thursday, January 21, 2016 11:35 PM
To: Cunningham, Julia, Ms, DCAA; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA; augusto.delgado@fe.navy.mil;
Anthony.P.Frontiero@fe.navy.mil; Acuna, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Hi David: After our call on 1/14/16 to address the items below, I initiated contact with the contractor's Project manager, Aaron Isle. He has responded and I have transmitted a total of 18 files through AMRDEC for you, Julia Acuna and Steven Mathewson. Please confirm receipt of all 18 files, including the attached updated index. This index is only for our reference so you know what documents have been added.

Please let us know when you expect to respond. I won't have access to my email starting tomorrow, while on TDY, but please copy all and Gus will respond to any questions you may have. My supervisor, Mr. Frontiero, is also copied. I will not return until February 15, 2016 but would like to keep things moving in my absence. Email is preferred because of the time difference.

Please confirm receipt. Thanks again for your assistance.

My best,
Jenais L. G. Guerrero
Contracting Officer
NAVFAC Marianas

-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, January 13, 2016 2:48 PM
To: 'Cunningham, Julia, Ms, DCAA'; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA; Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: RE: Risk Assessment for N40192-14-C-1300

Hi Julia/David: Thank you for providing some examples. Most of these I can answer but a couple will require additional information from the contractor. If you're all available, let's plan for a call tomorrow morning 7:30am (Guam), 1:30pm (CA). If not, please propose another time for tomorrow.

After our call, I may need to ask that you respond formally in the letter so I can forward it to the contractor stating that the proposal is inadequate. For the (b) (4), I made the incorrect assumption that it was the percentage rate that we agreed to initially just converted into a daily rate.

Looking forward to hearing back. Thanks, Jenais

-----Original Message-----

From: Cunningham, Julia, Ms, DCAA [mailto:Julia.Cunningham@dcaa.mil]
Sent: Wednesday, January 13, 2016 1:13 PM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Hello Jenais,

Happy New Year to you too!

Our auditors went over the numerous files and noted the following concerns about adequacy and what exactly we need to audit:

Although copious data was provided we cannot always determine what was examined to answer some of the questions on the adequacy checklist. The specifics and adequacy assessment are outlined below.

1) Provided Data Appears Inadequate: The package appears to be inadequate for audit according to our review of the files. For example:

Question 1 asks if the FAR 15.408 Table 15-2 (file 5, page 3) is completed correctly. It is marked yes. However, the table is NOT prepared correctly (math errors). The columns 4 and 6 are not prepared in accordance with the instructions below the table. It's possible that all the columns are incorrect. Some of the numbers we cannot track to the proposal documents.

Question 5 asks if the proposal includes the judgmental factors and mathematical methods used in the estimate. It is marked yes. However, there is no detail provided for the daily (b) (4) rate calculation, nor for the 626 days. We are missing support for the dollar values in table 15-2

column 4 and 5 (only column 6 values trace to other files).

3) Proposed Price/Total Contract Cost not clear: File (5_FAR 15.408 Table 15-2_CD_R3): the Proposed cost is (b) (4) for full construction depth clearance.

There is also the (b) (4) cost of the 18" clearance. It is not clear to us if that (b) (4) is included as part of the proposed (b) (4) full depth clearance.

4) There is (b) (4) proposed subcontract cost (file 1). It is not clear if any

of the subcontract costs/ direct or indirect rates been negotiated as part of the original contract proposal. Is the (b) (4) all new proposed effort, or is it adjusted from the original?

5) Change Order vs Original Contract: It is not clear how the change order PC04 affects the total contract value. Is PC04 additional new cost on top of

the original \$52M+ contract value? Or is the PC04 a re-negotiation of the total contract value?

6) Direct Costs: It is not clear whether any of the direct cost and labor rates/hours were negotiated in the original contract.

Supervisor David Smith is going to take over the primary coordination of this effort. Is it possible for us to coordinate another telephone call to discuss our concerns? Of course we can continue through email but if we can figure out a time that is good for all of us another telephone conference might be useful.

Julia Cunningham
DCAA Branch Manager
04571 Folsom Branch Office
2365 Iron Point Rd., Suite 205, Folsom CA 95630
Aerojet SubOffice (916) 355-6810
Folsom Branch (916) 817-6020
julia.cunningham@dcaa.mil
FOR OFFICIAL USE ONLY

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, January 06, 2016 2:06 PM
To: Cunningham, Julia, Ms, DCAA
Cc: Acuna, Julia, Ms, DCAA; Smith, David, Mr, DCAA; Perez-Rivera, Maria Rosalinda, Ms, DCAA
Subject: Risk Assessment for N40192-14-C-1300

Hi Julia: Happy New Year to you and the team! Based on our conference call on December 29, 2015, you mentioned that you may have a timeline established for the audit this week. Can you, David or Lynne provide an update please? I am meeting weekly with my team on their technical evaluation of the proposal and as soon as I have a full list of items in question, I will transmit it to your team for awareness.

I also forgot to mention that we have an explosive safety waiver on this project, the only one on Guam because of our unique scope, which allows civilians or business residents to remain in exclusion zones off base. This is primarily because we have no jurisdiction outside the fence to evacuate people out of their homes or establishments in the event of unintentional detonation of explosive ordnance during removal. The only reason this would be relevant for the audit is if the contractor is proposing costs that are unnecessary directly associated with the waiver, which our technical team will call out. The waiver was incorporated by modification P00009.

I look forward to your reply.

Thank you,

Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Smith, David, Mr, DCAA <David.Smith@dcaa.mil>
Sent: Tuesday, February 23, 2016 11:05 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Cunningham, Julia, Ms, DCAA; Frontiero, Tony CIV USN NAVFACMAR
Subject: RE: Risk Assessment for N40192-14-C-1300

Jenais, as we discussed today, Nova's February 8, 2016 revised proposal that I receive on February 10, 2016 is not adequate for audit. As we also discussed, please schedule a conference call with Nova representatives so that I can, if necessary, further clarify our expectations for an adequate proposal and to answer any questions they may have regarding the example proposal in Enclosure 3 in the Information for Contractors pamphlet previously provided to them.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Monday, February 22, 2016 3:16 PM
To: Smith, David, Mr, DCAA
Cc: Cunningham, Julia, Ms, DCAA; Anthony.P.Frontiero@fe.navy.mil
Subject: RE: Risk Assessment for N40192-14-C-1300

Hi David: I left a message for you a few minutes ago. Haven't heard back and wanted to touch base on whether I should expect the letter sometime today or tomorrow or whether we can proceed with the information received. Please call at your earliest convenience. Thank you.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, February 17, 2016 9:35 AM
To: 'Smith, David, Mr, DCAA'
Cc: 'Cunningham, Julia, Ms, DCAA'; Frontiero, Tony CIV USN NAVFACMAR
Subject: FW: Risk Assessment for N40192-14-C-1300

Mr. Smith: I am increasingly concerned that we have lost weeks for what still appears to be a minor formatting issue. I know we discussed the importance of looking beyond formatting because of our unique situation. To emphasize, we have a partial suspension currently in effect until this proposed change related to this audit is executed. I am also concerned that the reviews appear to be piece meal at a time when delay costs are being incurred daily.

Request a formal letter from your office citing specific deficiencies (outside of formatting) based on all the documentation submitted to DCAA since our initial request of December 23, 2015. I intend to forward this to the contractor. Please provide a complete list by Tuesday, February 23, 2016, since we have already lost 2 months.

I am also moving forward with an undefinitized modification because of the urgency to get this change executed (b) (5). I anticipate this modification to be released within the next two weeks after I obtain Headquarters approval. I cannot negotiate this change without an audit so your full support is appreciated.

I apologize if I sound a bit frustrated but given our circumstances, I'm sure you understand. I am also available by phone at (671) 355-7131 to discuss this further if necessary. Thank you.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: 355-7131

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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Friday, February 12, 2016 11:01 AM

To: Delgado, Augusto I CIV NAVFAC
Subject: RE: Risk Assessment for N40192-14-C-1300

As we discussed, Nova's 2/8/2016 revised proposal is not adequate for audit. The proposal needs to be in a format similar to the example shown in Enclosure 3 of the attached. Note that Enclosure 3 also provides additional guidance related to forward pricing proposal submissions and our audit process.

Note also that the supporting data and calculations need to tie to the summary of costs by cost element. Not all supporting data provided, including indirect rates, tied to the summary of costs in Nova's 2/8/2016 revised proposal. For example, the proposed HOOH rate of (b) (4) is not consistent with the supporting HOOH rate calculations which shows (b) (4), (b) (4) for years 2015, 2016, and 2017, respectively.

Please contact me if you have any questions.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: Smith, David, Mr, DCAA
Sent: Wednesday, February 10, 2016 4:39 PM
To: 'augusto.delgado@fe.navy.mil'
Subject: RE: Risk Assessment for N40192-14-C-1300

I received the attached files

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office

Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]
Sent: Wednesday, February 10, 2016 4:35 PM
To: Smith, David, Mr, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

David,

I've attached the files individually. Please confirm the receipt of 10.
Thank you.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Thursday, February 11, 2016 9:10 AM
To: Delgado, Augusto I CIV NAVFAC
Subject: RE: Risk Assessment for N40192-14-C-1300

I left you a voice message that the files did not make it through to me via e-mail. Give me a call to discuss options

David L. Smith, Supervisory Auditor, CPA

Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]
Sent: Wednesday, February 10, 2016 1:29 PM
To: Smith, David, Mr, DCAA
Cc: Jenais.Guerrero@fe.navy.mil
Subject: RE: Risk Assessment for N40192-14-C-1300

David,

Resubmitting Zipped file with supporting attachments. Please confirm receipt. Thank you.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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> information which must be protected IAW DOD 5400.11R, and is "FOR
> OFFICIAL USE ONLY (FOUO)."

-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Thursday, February 11, 2016 4:11 AM
To: Delgado, Augusto I CIV NAVFAC
Subject: RE: Risk Assessment for N40192-14-C-1300

I only have 1 file which is a pdf document - DCAA Attachment Index...

David L. Smith, Supervisory Auditor, CPA

Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]
Sent: Tuesday, February 09, 2016 1:05 AM
To: Smith, David, Mr, DCAA; Anthony.P.Frontiero@fe.navy.mil;
Jenais.Guerrero@fe.navy.mil
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

David,

In regards to our 2/2/16 conference call, I am forwarding supporting documents provided by NOVA Project Manager, Aaron Isle. There are a total of 11 documents including an attachment index for your records. Kindly confirm receipt of all 11 documents. Thank you for your assistance.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Wednesday, January 27, 2016 10:26 AM
To: Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR;

Guerrero, Jenais L.G. CIV USN NAVFACMAR

Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA

Subject: RE: Risk Assessment for N40192-14-C-1300

Augusto, as we discussed, the proposal needs to include:

1. A consolidated priced bill of materials to support proposed direct materials (b) (4)
2. Detailed basis of estimate (BOE) for proposed direct labor hours
3. Time phased labor hours and applied labor rates by labor category to support proposed direct labor (b) (4)
4. Calculation of the proposed Field Office Overhead rate(s) including how the rates are applied to support proposed FOOH (b) (4)
5. Calculation of the proposed Home Office Overhead rate(s) including how the rates are applied to support proposed HOOH (b) (4)
6. A list of the subcontractor's including applicable addresses, POCs, etc. and the subcontract type, amount, etc. to support proposed subcontract costs of (b) (4)

Please let me know when we can have a conference call with the contractor to clarify the above items.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: augusto.delgado@fe.navy.mil [mailto:augusto.delgado@fe.navy.mil]

Sent: Tuesday, January 26, 2016 4:03 PM

To: Smith, David, Mr, DCAA; Anthony.P.Frontiero@fe.navy.mil;
Jenais.Guerrero@fe.navy.mil

Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia, Ms, DCAA

Subject: RE: Risk Assessment for N40192-14-C-1300

David,

Thank you for returning my call today. Would it be possible to get a list of the points of discussion you would like to address or the areas of the proposal where you have questions? Thank you.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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> information which must be protected IAW DOD 5400.11R, and is "FOR
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-----Original Message-----

From: Smith, David, Mr, DCAA [mailto:David.Smith@dcaa.mil]
Sent: Tuesday, January 26, 2016 9:58 AM
To: Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR;
Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Mathewson, Steven, Mr, DCAA; Acuna, Julia, Ms, DCAA; Cunningham, Julia,
Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Augusto, I have reviewed the proposal data provided by Nova and it does not appear adequate for audit. I would like to discuss the proposal directly with the Nova POC to clarify what we need to perform an audit of the subject proposal. Please contact me ASAP to discuss having a conference call with you and the contractor POC.

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 817-6007
FAX: (916) 984-7411
david.smith@dcaa.mil

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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Thursday, January 21, 2016 11:35 PM
To: Cunningham, Julia, Ms, DCAA; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA; augusto.delgado@fe.navy.mil;
Anthony.P.Frontiero@fe.navy.mil; Acuna, Julia, Ms, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Hi David: After our call on 1/14/16 to address the items below, I initiated contact with the contractor's Project manager, Aaron Isle. He has responded and I have transmitted a total of 18 files through AMRDEC for you, Julia Acuna and Steven Mathewson. Please confirm receipt of all 18 files, including the attached updated index. This index is only for our reference so you know what documents have been added.

Please let us know when you expect to respond. I won't have access to my email starting tomorrow, while on TDY, but please copy all and Gus will respond to any questions you may have. My supervisor, Mr. Frontiero, is also copied. I will not return until February 15, 2016 but would like to keep things moving in my absence. Email is preferred because of the time difference.

Please confirm receipt. Thanks again for your assistance.

My best,
Jenais L. G. Guerrero
Contracting Officer
NAVFAC Marianas

-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, January 13, 2016 2:48 PM
To: 'Cunningham, Julia, Ms, DCAA'; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA; Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: RE: Risk Assessment for N40192-14-C-1300

Hi Julia/David: Thank you for providing some examples. Most of these I can answer but a couple will require additional information from the contractor. If you're all available, let's plan for a call tomorrow morning 7:30am (Guam), 1:30pm (CA). If not, please propose another time for tomorrow.

After our call, I may need to ask that you respond formally in the letter so

I can forward it to the contractor stating that the proposal is inadequate. For the (b) (4) p/day, I made the incorrect assumption that it was the percentage rate that we agreed to initially just converted into a daily rate.

Looking forward to hearing back. Thanks, Jenais

-----Original Message-----

From: Cunningham, Julia, Ms, DCAA [mailto:Julia.Cunningham@dcaa.mil]
Sent: Wednesday, January 13, 2016 1:13 PM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Mathewson, Steven, Mr, DCAA
Subject: RE: Risk Assessment for N40192-14-C-1300

Hello Jenais,

Happy New Year to you too!

Our auditors went over the numerous files and noted the following concerns about adequacy and what exactly we need to audit:

Although copious data was provided we cannot always determine what was examined to answer some of the questions on the adequacy checklist. The specifics and adequacy assessment are outlined below.

1) Provided Data Appears Inadequate: The package appears to be inadequate for audit according to our review of the files. For example:

Question 1 asks if the FAR 15.408 Table 15-2 (file 5, page 3) is completed correctly. It is marked yes. However, the table is NOT prepared correctly (math errors). The columns 4 and 6 are not prepared in accordance with the instructions below the table. It's possible that all the columns are incorrect. Some of the numbers we cannot track to the proposal documents.

Question 5 asks if the proposal includes the judgmental factors and mathematical methods used in the estimate. It is marked yes. However, there is no detail provided for the daily (per diem (b) (4)) rate calculation, nor for the 626 days. We are missing support for the dollar values in table 15-2

column 4 and 5 (only column 6 values trace to other files).

3) Proposed Price/Total Contract Cost not clear: File (5_FAR 15.408 Table 15-2_CD_R3): the Proposed cost is (b) (4) for full construction depth clearance.

There is also the (b) (4) cost of the 18" clearance. It is not clear to us if that (b) (4) is included as part of the proposed (b) (4) full depth clearance.

4) There is (b) (4) proposed subcontract cost (file 1). It is not clear if any

of the subcontract costs/ direct or indirect rates been negotiated as part of the original contract proposal. Is the (b) (4) all new proposed effort, or is it adjusted from the original?

5) Change Order vs Original Contract: It is not clear how the change order PC04 affects the total contract value. Is PC04 additional new cost on top of

the original \$52M+ contract value? Or is the PC04 a re-negotiation of the total contract value?

6) Direct Costs: It is not clear whether any of the direct cost and labor rates/hours were negotiated in the original contract.

Supervisor David Smith is going to take over the primary coordination of this effort. Is it possible for us to coordinate another telephone call to discuss our concerns? Of course we can continue through email but if we can figure out a time that is good for all of us another telephone conference might be useful.

Julia Cunningham
DCAA Branch Manager
04571 Folsom Branch Office
2365 Iron Point Rd., Suite 205, Folsom CA 95630
Aerojet SubOffice (916) 355-6810
Folsom Branch (916) 817-6020
julia.cunningham@dcaa.mil
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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, January 06, 2016 2:06 PM
To: Cunningham, Julia, Ms, DCAA
Cc: Acuna, Julia, Ms, DCAA; Smith, David, Mr, DCAA; Perez-Rivera, Maria Rosalinda, Ms, DCAA
Subject: Risk Assessment for N40192-14-C-1300

Hi Julia: Happy New Year to you and the team! Based on our conference call on December 29, 2015, you mentioned that you may have a timeline established for the audit this week. Can you, David or Lynne provide an update please? I am meeting weekly with my team on their technical

evaluation of the proposal and as soon as I have a full list of items in question, I will transmit it to your team for awareness.

I also forgot to mention that we have an explosive safety waiver on this project, the only one on Guam because of our unique scope, which allows civilians or business residents to remain in exclusion zones off base. This is primarily because we have no jurisdiction outside the fence to evacuate people out of their homes or establishments in the event of unintentional detonation of explosive ordnance during removal. The only reason this would be relevant for the audit is if the contractor is proposing costs that are unnecessary directly associated with the waiver, which our technical team will call out. The waiver was incorporated by modification P00009.

I look forward to your reply.

Thank you,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, March 18, 2016 7:09 AM
To: 'Thao, Darren, Mr, DCAA'; Smith, David, Mr, DCAA
Cc: Delgado, Augusto I CIV NAVFAC
Subject: RE: Audit of Proposal for N4019214C1300

Hi Darren: Yes, based on our discussion. I will be preparing my request to submit with their revised proposal based on the de-scoped items. Hoping to get this back to you by end of next week or early the following week.

Jenais L. G. Guerrero
 Contracting Officer, NAVFAC Marianas
 Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Friday, March 18, 2016 3:26 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Delgado, Augusto I CIV NAVFAC
Subject: RE: Audit of Proposal for N4019214C1300

Hi Jenais,

Please advise, does this mean you are canceling your request for audit of Nova's PC004 Proposal (Rev 3) dated December 3, 2015 and subsequently revised to Rev 4 dated February 25, 2016? We need clarification for administrative purposes and to cancel our current assignment number.

Thanks,

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, March 16, 2016 3:07 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Cc: augusto.delgado@fe.navy.mil
Subject: RE: Audit of Proposal for N4019214C1300

Darren/David: Thanks for the call yesterday morning. Here is a short summary of our discussion:

1. DCAA requires the contractor's cost proposal to be complete and

accurate. ACTION: Aaron Isle, Project Manager.

*Update from call with Aaron yesterday: Earliest resubmission is 3/25 but will provide me with an update by 3/23/16. For FOOH, he mentioned that their current cost proposal included escalation costs for key personnel to stay longer as a line item but he will add this to the FOOH rate instead; Aaron intends to utilize the actual FOOH rate. Subcontractors (b) (4) will be removed. He intends to decrease the HOOH rate to the composite rate. He also clarified that ECC's cost proposal would increase because they initially intended to fund items like steel barriers spread out throughout the performance period, but now they intend to purchase these at start up or during mobilization so they are readily available. He will need to demonstrate how this increases the cost substantially. Requested that Aaron exclude all suspension delay costs and differing site conditions (MILCON funds) or any cost that is not requested in the RFP that were previously included. This scope utilizes O&M or DLA working capital funds.

[KO Internal Comment: (b) (5)

2. KO requested clarification on how DCAA audits FOOH and whether they do an evaluation of actuals to test reasonableness of the proposed rate. DCAA indicated that they only perform a variance analysis of the actuals anytime the FOOH rate includes a history of expenses. In this case, that will apply because the contractor is utilizing historical or actual costs. KO requested to include a test for reasonableness of actuals for major cost accounts based on recommendation from DCAA and elaborate on findings in the report.

3. KO intent is to negotiate with the contractor prior to completion of the audit but negotiations will be conditional subject to audit report findings.

4. Undefined mod was issued on 3/10/16 for (b) (3) to get the contractor started on work; previously a partial suspension was in effect for over 300 days.

5. Clarified that this audit scope does not require technical assistance. Field technical team will be evaluating all technical areas of the proposal including labor and equipment hours. DCAA will formally request for specific technical items such as hours from the KO to complete the audit.

6. (b) (5)

We can discuss more after it is submitted. The scope is very similar to this one in that it is for Munitions and Explosives of Concern (MEC) work.

These are only the major points. If I missed anything, please chime in.

Thanks,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Wednesday, March 16, 2016 2:36 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Delgado, Augusto I CIV NAVFAC
Subject: RE: Audit of Proposal for N4019214C1300

Hi Jenais,

I have a meeting at 1pm PST. I will call you as soon as it's over.

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Monday, March 14, 2016 8:38 PM
To: Thao, Darren, Mr, DCAA
Cc: augusto.delgado@fe.navy.mil
Subject: Audit of Proposal for N4019214C1300

Hi Darren: Please give me a call in the morning. I am in by 7am, CST. I was talking to Aaron about ways to streamline the process and alternatives to a revised proposal at this juncture. I wanted to ask you for your recommendation on the FOOH audit to address contractor concerns about the actual rate vs. proposed rate. We may be able to proceed with the current proposal and I may need to revise the audit scope.

Thanks,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND MARIANAS
PSC 455, BOX 195
FPO AP 96540-2937

IN REPLY REFER TO:
Ser RF-160083
May 2, 2016

SENT VIA EMAIL: david.smith@dcaa.mil

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
2365 Iron Point Rd., Suite 205
Folsom, CA 95630-8711

Subj: REQUEST FOR AUDIT ON CONTRACTOR'S PROPOSAL FOR PROPOSED CHANGE 04 (MUNITIONS AND EXPLOSIVES OF CONCERN INTRUSIVE INVESTIGATIONS LOCATED OFF BASE): CONTRACT NO. N40192-14-C-1300 FY13 MILCON DESC 1303 UPGRADE FUEL PIPELINE, SASA VALLEY FUEL FARM TO ANDERSEN AIR FORCE BASE, GUAM

Encl: (1) Contractor's revised proposal (R5) received May 2, 2016
(2) Request for Proposal dated September 4, 2015
(3) Amendment 01 of RFP dated October 16, 2015
(4) Unfinalized bilateral modification P00025 and revised scope of work dated March 10, 2016
(5) Unilateral Modification P00026 (OPNAV Exemption 1-16 and ESS Waiver Clarification 1-14) dated March 24, 2016
(6) Unilateral Modification P00027 dated April 28, 2016
(7) Unilateral Modification P00003 dated November 17, 2014, paragraph B (2)
(8) Bilateral Modification (P00010) language on Field Office Overhead (FOOH) rates

Dear Mr. Smith:

Please provide audit assistance on the proposal in the amount of (b) (4) from the Prime Contractor, Nova Group, Inc. - Underground Construction, a Joint Venture (JV), enclosure (1). An RFP was issued on September 4, 2015, enclosure (2). Amendment 01 of the RFP/Scope of Work was issued on October 16, 2015 to remove the requirement for cubic yards, enclosure (3). On March 10, 2016, an unfinalized contract action (UCA) modification P00025 was issued with a revised scope of work and finalization schedule for the urgency of this work and to begin performance immediately, enclosure (4). As the requirements from OPNAV (N41) continued to change, unilateral modification P00026 was executed to incorporate Exemption 1-16 and ESS Waiver Clarification 1-14 on March 24, 2016, enclosure (5). Unilateral modification administrative modification P00027 was executed to incorporate two UCA clauses, enclosure (6). To date, twenty seven (27) modifications have been issued. The audit report will assist contracting personnel to negotiate a fair and reasonable price for the scope of work described in the UCA and subsequent modifications.

In particular, request audit assistance of the certified cost and pricing data for proposals \$750,000 and over submitted by the Joint Venture and proposed subcontractor below:

Nova Group Inc. - Underground Construction, JV (DUNS: 808474261/ Cage Code: 4XL05)
ECC International LLC (DUNS 192529779 / Cage Code 30EY7)

Prime contractor costs: Evaluate direct and indirect costs including fringe and overhead rates.

Prime Field Office Overhead (FOOH):
(b) (5)

(b) (5)

(b) (5)

(b) (5)

Request audit to determine the established method for the Joint Venture or Managing Partner and recommended rate for this change and all future modifications. There are several changes still to be processed for this contract.

Prime Home Office Overhead (HOOH): Request audit of the proposed rate of (b) (4)

Prime Contractor Point of Contact: Mr. Aaron Isle, Project Manager (Nova Group Inc.)
Email: aisle@novagrp.com
Telephone: Office (707) 265-1162 / Mobile (707) 492-2481
Address: 185 Devlin Road, Napa, CA. 94558-7501

Prime Contractor POC (Secondary): Mr. Chris Mathies, Vice President of Operations
Email: cmathies@novagrp.com
Telephone: Office (707) 265-1151 / Mobile (707) 299-9513
Address: 185 Devlin Road, Napa, CA. 94558-7501

Subcontractor costs: Evaluate direct and indirect costs including fringe and overhead rates. ECC has provided a copy of its indirect rates submitted to DCAA, Fremont, California dated October 20, 2015. However, ECC has not provided any current documentation of the actual rate recommended by DCAA. This subcontractor has performed work in Guam on current and past projects for NAVFAC Marianas. Please include our office in any written correspondence or requests with the prime to coordinate this audit.

In your report, please also address whether proposed costs for both prime and subcontractors are in accordance with the company's established accounting practices and cost estimating systems and procedures. Enclosure 1, the Contractor's proposal, will be transmitted separately through AMRDEC SAFE due to file size limitations. Please confirm receipt of all 26 documents at the email addresses below at your earliest convenience.

Kindly request for the audit report to be completed within 90 days in order to meet the definitization schedule below. Based on requirements in the Naval Facilities Acquisition Standards (NFAS) 43.201-100 (February 2016 edition), the current definitization schedule in modification P00027 is as follows:

Negotiation Date: July 15, 2016 or 15 days after receipt of the final DCAA audit report

Definitization Target Date: September 6, 2016 or by the earlier of:

- The date that is 180 days after issuance of the undefinitized change order. This day may be extended but may not exceed the date that is 180 days after the Contractor submits a qualifying proposal;
- The date on which the amount of funds obligated on the undefinitized change order is equal to more than 50 percent of the NTE price. Written notification is required from the contractor when funds are expended at 25, 37.5 and 50 percent of the NTE amount. The Contractor is required to provide adequate support for actual costs incurred during notifications. This will give the government and contractor ample time to monitor whether the definitization schedule requires improvement.

The Contractor currently anticipates exhausting 50% of the Undefined Modification (b) (3) on or around July 15, 2016. Therefore, available to address any preliminary questions you may have. Please send your electronic audit reports directly to jenais.guerrero@fe.navy.mil and augusto.delgado@fe.navy.mil on or before **August 1, 2016** or provide an estimate of when the reports can be expected. The project team requires an additional 2 to 4 weeks after your report is received to review and address any questions then conclude negotiations with the Contractor prior to definitization.

I would appreciate an expedited review and ask that you and Ms. Cunningham consider the complexity of the issues and contentious items for audit. I also understand that you have other priorities, however, this project and change has the highest visibility in our chain of command up to the Headquarters level and I am willing to escalate this on our end if you need assistance to prioritize our request.

I am available at (671) 355-7131 (Chamorro Standard Time) to discuss any additional information required for the audit. Thank you very much for your assistance.

Sincerely,



JENAI L. G. GUERRERO
Contracting Officer

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, May 02, 2016 3:36 PM
To: Smith, David, Mr, DCAA
Cc: 'Thao, Darren, Mr, DCAA'; 'Cunningham, Julia, Ms, DCAA'; 'Acuna, Julia, Ms, DCAA'; Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN NAVFAC; Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: Contract No. N40192-14-C-1300: Request for Audit of Proposal (Rev5) - Part 1 of 2
Attachments: RF160083 Request for Audit.PDF; Encl 2 RF150118_RFP PC04.PDF; Encl 2a RFP encl 1.pdf; Encl 3 RFP Amd01.pdf; Encl 4 P00025.PDF

Tracking:	Recipient	Read
	Smith, David, Mr, DCAA	
	'Thao, Darren, Mr, DCAA'	
	'Cunningham, Julia, Ms, DCAA'	
	'Acuna, Julia, Ms, DCAA'	
	Frontiero, Tony CIV USN NAVFACMAR	
	Peredo, Roanna K CIV USN NAVFAC	
	Delgado, Augusto I CIV NAVFAC	Read: 5/2/2016 3:41 PM
	Frontiero, Tony CIV USN NAVFACMAR	

Dear Mr. Smith: My previous request under assignment no. 4571-2016G21000001 was canceled based on a discussion with you and Mr. Darren Thao in March 2016. Based on several scope changes and funding limitations, the contractor has submitted a revised proposal today.

Request and scope for audit is attached with enclosures 2 through 4 (Part 1 of 2). Enclosures 5 through 8 to be transmitted separately in Part 2 of 2. Due to file size restrictions, enclosure 1 or the contractor's proposal will be transmitted via AMRDEC.

Due to major time constraints, I am requesting for an audit to be completed within 90 days or by August 1, 2016. I will be out of the office this Wednesday, May 4, 2016, so please call me directly for any preliminary questions you may have tomorrow. I will be returning on Monday, May 16, 2016. In my absence, you may contact Gus directly.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, May 02, 2016 3:38 PM
To: 'Smith, David, Mr, DCAA'
Cc: 'Thao, Darren, Mr, DCAA'; 'Cunningham, Julia, Ms, DCAA'; 'Acuna, Julia, Ms, DCAA';
Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN NAVFAC; Delgado,
Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: RE: Contract No. N40192-14-C-1300: Request for Audit of Proposal (Rev5) - Part 2 of 2
Attachments: Encl 5 P00026.pdf; Encl 6 P00027.pdf; Encl 7 P00003 (Unilateral).pdf; Encl 8 P00010
FOOH_para B.pdf

Part 2 of 2. Please confirm receipt including files sent by Gus through
AMRDEC.

Thank you,
Jenais L. G. Guerrero
Contracting Officer
Naval Facilities Engineering Command Marianas
ROICC Finegayen, Bldg.155, NCTS, Guam
PSC 455, Box
195 FPO AP 96540
Email: jenais.guerrero@fe.navy.mil
Tel: (671) 355-7131
Time Zone: Chamorro Standard Time (ChST) - UTC+10

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information is strictly prohibited.

-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, May 02, 2016 3:36 PM
To: Smith, David, Mr, DCAA
Cc: 'Thao, Darren, Mr, DCAA'; 'Cunningham, Julia, Ms, DCAA'; 'Acuna, Julia,
Ms, DCAA'; Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN
NAVFAC; Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: Contract No. N40192-14-C-1300: Request for Audit of Proposal (Rev5)

- Part 1 of 2

Dear Mr. Smith: My previous request under assignment no. 4571-2016G21000001 was canceled based on a discussion with you and Mr. Darren Thao in March 2016. Based on several scope changes and funding limitations, the contractor has submitted a revised proposal today.

Request and scope for audit is attached with enclosures 2 through 4 (Part 1 of 2). Enclosures 5 through 8 to be transmitted separately in Part 2 of 2. Due to file size restrictions, enclosure 1 or the contractor's proposal will be transmitted via AMRDEC.

Due to major time constraints, I am requesting for an audit to be completed within 90 days or by August 1, 2016. I will be out of the office this Wednesday, May 4, 2016, so please call me directly for any preliminary questions you may have tomorrow. I will be returning on Monday, May 16, 2016. In my absence, you may contact Gus directly.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Delgado, Augusto I CIV NAVFAC
Sent: Monday, May 02, 2016 5:21 PM
To: Smith, David, Mr, DCAA
Cc: Thao, Darren, Mr, DCAA; Acuna, Julia, Ms, DCAA; Guerrero, Jenais L.G. CIV USN NAVFACMAR; Frontiero, Tony CIV USN NAVFACMAR
Subject: Contract No. N40192-14-C-1300: Request for Audit of Proposal (Rev5)
Attachments: DCAA Attachment Index.xlsx

Mr. Smith,

The supporting documents for the PC04 Proposal _R5 have been uploaded through AMRDEC. You should have received an email reminder notice. Attached is an index of the uploaded documents for your reference. Kindly acknowledge receipt by responding to this message. Thank you for your assistance.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

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> information which must be protected IAW DOD 5400.11R, and is "FOR
> OFFICIAL USE ONLY (FOUO)."

-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, May 02, 2016 3:36 PM
To: Smith, David, Mr, DCAA
Cc: Thao, Darren, Mr, DCAA; 'Cunningham, Julia, Ms, DCAA'; 'Acuna, Julia, Ms, DCAA'; Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN NAVFAC; Delgado, Augusto I CIV NAVFAC; Frontiero, Tony CIV USN NAVFACMAR
Subject: Contract No. N40192-14-C-1300: Request for Audit of Proposal (Rev5)
- Part 1 of 2

Dear Mr. Smith: My previous request under assignment no. 4571-2016G21000001 was canceled based on a discussion with you and Mr. Darren Thao in March 2016. Based on several scope changes and funding limitations, the contractor has submitted a revised proposal today.

Request and scope for audit is attached with enclosures 2 through 4 (Part 1 of 2). Enclosures 5 through 8 to be transmitted separately in Part 2 of 2. Due to file size restrictions, enclosure 1 or the contractor's proposal will be transmitted via AMRDEC.

Due to major time constraints, I am requesting for an audit to be completed

within 90 days or by August 1, 2016. I will be out of the office this Wednesday, May 4, 2016, so please call me directly for any preliminary questions you may have tomorrow. I will be returning on Monday, May 16, 2016. In my absence, you may contact Gus directly.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Delgado, Augusto I CIV NAVFAC
Sent: Wednesday, May 04, 2016 9:11 AM
To: Thao, Darren, Mr, DCAA; Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Smith, David, Mr, DCAA; Acuna, Julia, Ms, DCAA; Frontiero, Tony CIV USN NAVFACMAR
Subject: RE: Contract No. N40192-14-C-1300: Nova Group, Inc.'s Proposal PC004 (Rev5)
Attachments: 5. SL 0146.1 - REV_1 PC004 TINA Cert..pdf; 31. ECC_ComparisionSummary_April2016_Nov2015.pdf; 30. Time phased labor_2016_04_29.xlsx; DCAA Attachment Index.xlsx

Darren,

Please include the following documents with the PC04 proposal. The documents are numbered in correlation to the DCAA Attachment index (see attached). Please note that document number 5 (SL 0146.1-REV 1 PC004 TINA Cert) replaces the previous TINA cert submitted on 5/2/2016. The additional documents are highlighted in yellow in the attachment index for reference. Kindly acknowledge receipt of the attached documents by responding to this message. Otherwise please let me know if any of the documents are illegible. Thank you for your assistance.

V/r,
Gus Delgado
Contract Specialist
NAVFACMAR
ROICC Finegayan
671-355-5580

PRIVACY ACT - 1974 as amended applies. This email may contain
> information which must be protected IAW DOD 5400.11R, and is "FOR
> OFFICIAL USE ONLY (FOUO)."

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Wednesday, May 04, 2016 4:20 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Delgado, Augusto I CIV NAVFAC
Subject: Contract No. N40192-14-C-1300: Nova Group, Inc.'s Proposal PC004 (Rev5)

Jenais and Gus,

This is to inform you that I've been assigned to audit subject proposal. The proposal will need to be reviewed if it is adequate for audit. We will let you know if the proposal is adequate after our proposal walkthrough with the contractor. If the proposal is adequate we will furnish an acknowledgement letter once the risk assessment is complete and we have coordinated an agreed-to due date with you. Please contact me if you have any questions or concerns.

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, May 18, 2016 2:26 PM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC; Delgado, Augusto I CIV NAVFAC
Subject: RE: Nova Proposal PC004 Discussion

Hi Darren: Thanks for the call. Yes, I would also clarify that I am not requesting an audit of the time extension or hours. Our technical experts here will address that. (b) (5)

This includes time to execute the following activities:

- Complete Audit: 90 days minimum
- Review of Audit Report: 1-2 weeks with questions/answers
- Conclude negotiations: 1-2 weeks including obtain a final proposal
- Process the mod: Estimate of 1 month minimum including local approval thresholds

There are few exceptions that may require us to definitize the change sooner. As you can see from the conservative estimate above, we are already behind schedule by one month because DCAA insisted on a revised proposal.

(b) (5)

Therefore, anything you can do to work past the format issue we discussed in Table 15-2 is in the best interest of the government as long as you have the data necessary for the audit. I have asked Aaron today to submit the documentation you had requested much sooner than May 20th, if possible.

Hope to hear back soon.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Wednesday, May 18, 2016 9:38 AM

To: Guerrero, Jenais L.G. CIV USN NAVFACMAR

Subject: Nova Proposal PC004 Discussion

Hi Jenais,

Per our discussion, the contract is CAS exempt due to it being FFP competitively awarded without certified cost or pricing data. Include HOOH in our audit scope. I will get in touch with our DCAA counterparts at Fremont,

CA and ask for audit report(s) on ECC's forward pricing indirect rates and any direct cost audits they've done. If substantial effort has been performed on direct and indirect at ECC, you may be able to use those audit reports and we can de-scope ECC from our audit. Please confirm if my understanding is correct.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Thursday, May 19, 2016 10:48 AM
To: 'Thao, Darren, Mr, DCAA'
Subject: RE: Environmental Chemical Corporation (ECC)
Attachments: ECC Letter to Nova - Forward Pricing.pdf

Darren: Can you find out what the outcome was for the attached? I will call you in a few. Sorry for the delay, your message was hiding in my junk mail.
Thanks, Jenais

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Thursday, May 19, 2016 8:43 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: FW: Environmental Chemical Corporation (ECC)

FYI. We can talk about an alternate plan. Please contact me at your earliest convenience.

Darren
916-509-0093

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Friday, May 20, 2016 12:33 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: FW: Environmental Chemical Corporation
Signed By: THAO.DARREN.C.1391000650

No luck. Let's talk again.

Darren
916-509-0093

-----Original Message-----

From: Erickson, Sandra, Ms, DCAA
Sent: Thursday, May 19, 2016 7:29 AM
To: Thao, Darren, Mr, DCAA
Subject: RE: Environmental Chemical Corporation

FOR OFFICIAL USE ONLY

Darren:

Since October 1, 2015, ECC has been under the cognizance of the Silicon Valley Branch Office. Please direct any questions regarding ECC to DCAA-FAO4281@dcaa.mil.

Thank you.

Sandie Erickson
Professional Support Staff Supervisor
DCAA Fremont, San Francisco IC, and Silicon Valley Branch Offices
(571) 448-3050
sandra.erickson@dcaa.mil

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-----Original Message-----

From: Thao, Darren, Mr, DCAA
Sent: Wednesday, May 18, 2016 6:36 PM
To: DCAA-FAO4141
Subject: Environmental Chemical Corporation

Hello,

Our office is currently auditing Nova Group, Inc.'s forward pricing proposal and Environmental Chemical Corporation (ECC) is listed as a subcontractor. Due to the time sensitive nature of the situation the Contracting Officer has requested ECC's audited forward pricing rates and any audited direct costs to assist her in negotiations. Does your office have any audited forward pricing rates for ECC for FYs 2016-2017?

Also, the contractor locator doesn't have your office listed as the cognizant office, however, the attached was addressed to your office. I've already contacted Silicon Valley Branch Office. A timely response is appreciated.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, May 20, 2016 1:06 PM
To: 'Thao, Darren, Mr, DCAA'
Cc: Delgado, Augusto I CIV NAVFAC; Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Nova Proposal PC004 Adequacy

Darren: Good news! Thank you. It was great talking to you today as well to confirm that we will proceed with an assist audit from the Silicon Valley branch for ECC's direct and indirect costs. I have informed Aaron that there is no audit, as we were led to believe, so I anticipate a response next Monday after he engages ECC. Worst case is that if the assist audit is still pending as of September 6, 2016 (Definitization Due Date), I will proceed with NFAS rates until the audit is complete.

I look forward to hearing back on the risk assessment and how soon you anticipate audit completion for the Prime. Have a wonderful weekend!

Respectfully,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Friday, May 20, 2016 8:01 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Delgado, Augusto I CIV NAVFAC
Subject: Nova Proposal PC004 Adequacy

Jenais,

We've determined that subject proposal is adequate for audit. We will proceed with the risk assessment stage of the audit and provide you with a formal acknowledgement letter with an expected report issuance date once the risk assessment is complete.

V/r,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411

darren.thao@dcaa.mil

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For Official Use Only (FOUO)

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Tuesday, May 24, 2016 7:37 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Delgado, Augusto I CIV NAVFAC
Subject: ECC Assist Audit
Signed By: THAO.DARREN.C.1391000650

Janine

Per our discussion on 5/19/2016 PST, I informed you of the pros and cons of having our office request for the assist audit on ECC versus you requesting it directly. You stated you would prefer our office request the assist audit as part of our audit. Please confirm.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, June 01, 2016 7:12 AM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: FW: PC04 Proposal - Indirect Rates
Attachments: ECC_PC004_GAandOverhead_RatesSupport_23May2016.xlsx

Darren: Transmitting the information from Aaron for ECC, which is only the breakdown. Please let me know what else you need to send to DCAA Silicon Valley. Thanks, Jenais

-----Original Message-----

From: Aaron Isle [mailto:aisle@novagrp.com]
Sent: Wednesday, June 01, 2016 5:09 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: [Non-DoD Source] RE: PC04 Proposal - Indirect Rates

Jenais

See below received from ECC regarding indirect rates for use by yourself and the DCAA audit team. They have stated that another for year 2016 they will be providing a forward pricing rate agreement to DCAA in June 2016.

" -----Original Message-----

From: Elizabeth L. Webb [mailto:EWebb@ecc.net]
Sent: Monday, May 23, 2016 7:21 PM
To: Aaron Isle <aisle@novagrp.com>; Austin D. Baird <ABaird@ecc.net>; Michael Davis <MJDavis@ecc.net>; August Ochabauer <AOchabauer@ecc.net>
Subject: RE: PC04 Proposal - Indirect Rates (Additional Rate Documentation)

Aloha Aaron,

Please find additional supplemental rate information presented in excel for review and consideration.

The G&A tab includes a detailed breakdown of the G&A components and summary of the G&A rate proposed in PC004.

This same level of detail can be provided for the overhead and fringe rates utilized in the PC004 proposal.

It is recommended to provide the attached G&A detail to the Navy for their review. Our General Ledger Manager is presently out for a family funeral and will need to coordinate this week to provide similar details for the remaining rates.

It is also noted that ECC will be submitting a revised Forward Pricing Rate proposal for 2016/2017 to DCAA by the end of June 2016.

Please do not hesitate to let me know if there are any comments on the attachment.

Mahalo,
Liz

Elizabeth L. Webb
Contracts Manager
2969 Mapunapuna Place, Suite 220
Honolulu, Hawaii 96819
Phone (808) 486-3707 ext. 28017
Cell (808) 372-6030
Fax (808) 486-3316 "

Let me know if you need anything further on this topic

Regards,
Aaron Isle

NOVA Group, Inc.
Office: 707.265.1162
Cell: 707.492.2481

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Sunday, May 22, 2016 2:55 PM
To: Aaron Isle <aisle@novagrp.com>
Subject: RE: PC04 Proposal - Indirect Rates

Hi Aaron: The proposed rates differ from the rates contained in the letters to and from DCAA. If this is not produced now, it will be during the assist audit. My point is I'd prefer to get the information that explains the difference now rather than later. We can discuss further at 9am, if necessary. Thanks, Jenais

-----Original Message-----

From: Aaron Isle [mailto:aisle@novagrp.com]
Sent: Monday, May 23, 2016 7:24 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: [Non-DoD Source] RE: PC04 Proposal - Indirect Rates

It appears from the memo that DCAA Silicon Valley office is in receipt of these for CY2015 as of January 2016. I will discuss with ECC further tomorrow when their office opens if we need to gather additional data.

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Monday, May 23, 2016 7:13 AM

To: Aaron Isle <aisle@novagrp.com>
Subject: RE: PC04 Proposal - Indirect Rates

Aaron: Thank you for the reply. However, where is all the supporting documentation for the proposed rates? Please provide these earliest.

Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Aaron Isle [mailto:aisle@novagrp.com]
Sent: Saturday, May 21, 2016 11:04 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: [Non-DoD Source] FW: PC04 Proposal - Indirect Rates

Jenais

See attached files regarding ECC proposed indirect rates. As this is considered highly business confidential I would request this information is only shared with yourself and our DCAA audit team.

Regards,

Aaron

cid:image001.jpg@01D185F3.656881F0

Aaron Isle | Project Manager

185 Devlin Road Napa, CA 94558

Napa: Tel: 707.265.1162 | Cell: 707.492.2481 | Fax: 707.265-1199 |
www.novagrp.com <<http://www.novagrp.com/>>

Guam: Tel: 671.969.6685 | Cell: 671.682.4511 | Fax: 671.969.6687

cid:image002.jpg@01D185F3.656881F0 <<http://www.abc.org/>>
cid:image003.jpg@01D185F3.656881F0 <<http://www.agc.org/>>

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From: Elizabeth L. Webb [mailto:EWebb@ecc.net]
Sent: Saturday, May 21, 2016 10:59 AM
To: Aaron Isle <aisle@novagrp.com>
Cc: Austin D. Baird <ABaird@ecc.net>; Michael Davis <MJDavis@ecc.net>; Gurmeet S. Chadha <GChadha@ecc.net>; August Ochabauer <AOchabauer@ecc.net>
Subject: RE: PC04 Proposal - Indirect Rates

Aloha Aaron,

In follow-up to yesterday's email, please find the attached subject letter from ECC's Compliance Manager to explain the basis of the indirect rates.

Please note that this information is highly business confidential and shall not be disclosed outside of the Nova-UCCo JV and Government, duplicated, used or disclosed - in whole or in part - for any purpose other than to evaluate the proposal.

Please do not hesitate to let me know if any additional information may be needed. ECC can be readily available should there be any questions. Please confirm receipt to ewebb@ecc.net.

Respectfully,

Elizabeth

Elizabeth L. Webb

Contracts Manager

2969 Mapunapuna Place, Suite 220

Honolulu, Hawaii 96819

Phone (808) 486-3707 ext. 28017

Cell (808) 372-6030

Fax (808) 486-3316

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, June 01, 2016 7:12 AM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: FW: PC04 Proposal - Indirect Rates
Attachments: ECC_PC004_GAandOverhead_RatesSupport_23May2016.xlsx

Darren: Transmitting the information from Aaron for ECC, which is only the breakdown. Please let me know what else you need to send to DCAA Silicon Valley. Thanks, Jenais

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Thursday, June 09, 2016 6:56 AM
To: 'Thao, Darren, Mr, DCAA'; Smith, David, Mr, DCAA
Cc: Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Discussion 6/2/16

Darren: Thank you for your prompt reply.

Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Thursday, June 09, 2016 3:27 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Frontiero, Tony CIV USN NAVFACMAR; Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Discussion 6/2/16

Jenais,

Thank you for your response. After reviewing the information you provided and discussion with the ktr, the ktr informed us that the price comparison included in the proposal was based on the 5 foot trench boundary and not the 3 foot trench boundary currently required. Therefore, for the current proposal, the ktr did not solicit competitive bids from two or more responsible offerors that satisfied the current scope requirements. We have already notified the ktr and will be requesting for an assist audit of ECC's proposal.

As for reviewing the consistency of the ktr's practice of allocating FOOH costs, we have elevated the issue to our technical experts and is currently including it in our scope.

V/r,

Darren
916-355-2110

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Sunday, June 05, 2016 4:53 PM

To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Cc: Anthony.P.Frontiero@fe.navy.mil; Roanna.Peredo@fe.navy.mil
Subject: RE: Discussion 6/2/16

Mr. Smith & Mr. Thao: Please see attached. Request response on or before this Wednesday, June 8, 2016.

Thank you,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Friday, June 03, 2016 10:54 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: Discussion 6/2/16

Jenais,

Thanks for the phone call. As discussed, we will no longer require an assist audit on ECC's proposed costs because they were competitively awarded. You confirmed that the JV is performing work on PC004 and the basic contract simultaneously. PC004 period of performance is March 10, 2016 through TBD. You do not have any additional regulatory criteria for us to consider other than our usual FAR, DFARS, and Contract Terms. I will elevate your concern about DCAA reviewing the JVs practice of allocating FOOH costs over Total Direct Costs (percentage) vs Contract Days (daily per diem) and the consistent use of its established practice.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, June 10, 2016 7:05 AM
To: 'Thao, Darren, Mr, DCAA'
Subject: RE: Subcontract Price Comparison

Darren: At first glance, these files are different than what was provided to me in November 2015 so thank you. However, it doesn't change the current situation of our audit. I apologize, please discontinue copying Gus on all correspondence. He is no longer with NAVFAC but still accessing the same email through another federal agency. The current Contract specialist is RoAnna Peredo at roanna.peredo@fe.navy.mil. This is effective just this week. Thanks, Jenais

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Friday, June 10, 2016 12:22 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Delgado, Augusto I CIV USN MSC
Subject: Subcontract Price Comparison

Jenais and Gus,

Nova provided us the attached. Ktr said all except pg. 2 was included in the original files, but I didn't see it. Just providing to you for your records in case you don't have it.

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Tuesday, June 14, 2016 8:34 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: Discussion 6/13/2016
Signed By: THAO.DARREN.C.1391000650

Jenais,

Per our discussion,

FOOH labor hours: FOOH labor hours will not be included in our audit scope. NAVFAC Marianas will review the labor hours and we can provide a cost impact via negotiation support post audit.

Audit Report: We will provide our audit report as soon as it is available and not wait on the assist audit report from Silicon Valley Branch Office. This will result in our opinion being a disclaimer since the majority of the costs are subcontract. Once we receive the assist audit report we will submit a supplemental report.

Travel: We will require all travel requirements for the period of performance for PC004. This does not have to be provided now, but we will need it during fieldwork.

POP: Please provide the POP ktr's proposal is based. The PC004 part only, since the RFP is only for PC004.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, June 20, 2016 11:32 AM
To: 'Smith, David, Mr, DCAA'; 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: RE: [Non-DoD Source] RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information

Forgot to mention that we are clearly in disagreement with the statement that "The TIA provided takes into account the total delay to CCD, and schedule at the time of impact in accordance with part 1.8(b), therefore, no change in TIA is evaluated from modifications issued at a later date."

The Contractor fails to acknowledge that specs also state that "The TIA shall illustrate the influence of each change or delay on the Contract Completion Date or milestones. No time extension will be granted nor delay damages paid unless a delay occurs which consumes all available project float, and extends the projected finish *beyond* the contract completion date."

As of June 10, 2016, the new CCD is June 11, 2017 so this voids the contractor's TIA because they utilized the former CCD of August 2, 2016. Granted they did not have the time modification prior to submission of their proposal but we will utilize the same file to negotiate the time nonetheless. (b) (5)



Thanks,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Monday, June 20, 2016 7:34 AM
To: Smith, David, Mr, DCAA; 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: FW: [Non-DoD Source] RE: N40192-14-C-1300: PC04 DCAA Audit -

Request for Information

Darren/David: Please let me know if you need any additional information to proceed.

Thank you,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Friday, June 24, 2016 10:07 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: Inadequate Proposal
Signed By: THAO.DARREN.C.1391000650

Jenais,

As we discussed, the JV's proposal is inadequate for audit. JV has not been able to provide a period of performance (PoP) for its proposal. During the proposal walkthrough on 5/12/2016 we inquired about the PoP. JV stated it was for 594 days starting May 2, 2016. On 5/24/2016 we asked the JV to clarify because mod P00025 was signed March 10, 2016. We have had several email and telephone conversations with the JV since then in an attempt to determine the PoP. In the last telephone discussion the JV stated the proposal is based on PoP from August 2, 2016 through April ?, 2017. From April ?, 2017 through March 19, 2018 the JV is only proposing costs for FOOH to cover base contract effort unrelated to PC004. Auditor emailed JV on 6/13/2016 to confirm. In its response dated, 6/13/2016, it doesn't appear the JV confirms, and stated there is a Time Impact Analysis that should be considered. It is imperative that we have a defined PoP as our audit determined costs are based on a PoP. In addition, the JV is also proposing FOOH allocated per PoP days, but yet it doesn't appear they can provide an actual start and end date for PC004 only. We can only audit proposal for efforts related to PC004. Any costs related to delays will have to be submitted separately via REA.

Also discussed, FOOH actuals from base contract which the ktr is using as a basis of estimate for PC004 proposal does not include accounts that was originally proposed. (b) (4)

Furthermore, the proposal needs to include all actuals to date if PoP has already started. This includes subcontractor proposals as well. Subcontractor proposal also needs to be time phased with all basis of estimates clearly explained and a PoP.

JV needs to submit a revised proposal for PC004 only and above items addressed. Also as mentioned, for our internal administrative purposes, we cannot wait for the JV to submit its revised proposal as we are also being monitored by our HQ on timeliness. Therefore, we have to close current assignment no. 4571-2016G21000002. We request that you cancel your current request for audit until the JV resubmits a revised proposal. We can reuse most of the work completed to date.

Thanks,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, July 01, 2016 7:24 AM
To: 'Thao, Darren, Mr, DCAA'
Cc: Smith, David, Mr, DCAA; Frontiero, Tony CIV USN NAVFACMAR; 'Cunningham, Julia, Ms, DCAA'
Subject: RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information (Due July 1, 2016)

Darren: While I agree the contractor should be held accountable for its submission and I appreciate your efforts thus far, I also believe that we could resolve this easily through a resubmission of Table 15-2 for both the prime and ECC because we have most of what we need to allow this audit to proceed. (b) (5)

My only regret is that DCAA did not advise me of these deficiencies shortly after the proposal was submitted two months ago when I was very upfront about the tight timeline.

For my previous request, I was asked to cancel. However, request a formal letter from David that may be released to the Contractor if possible today. Unfortunately, I will need to escalate this to my Chief of Contracting Office if you are certain this audit cannot proceed because the unilateral definization now requires NAVFAC Headquarters approval. Please confirm that there is no other possible way to keep this audit moving forward.

Thank you,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Friday, July 01, 2016 4:37 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Smith, David, Mr, DCAA
Subject: RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information (Due July 1, 2016)

Hi Jenais,

Thanks for the discussion yesterday. Based on the information you provided below, the TIA schedule and the JTD costs in the proposal, it appears PC04 PoP started March 11, 2016 (March 3, 2016 below was a typo, should have been March 11, 2016 as discussed). If that is the case, the ktr has not included all actuals in its submission since the submission was dated April 29, 2016 and subcontract proposal for ECC, which comprises a significant portion of proposed costs, does not appear to include any actuals. FAR 15.408 Table 15-2 requires all incurred costs be identified in the proposal. Furthermore, the ktr's proposed costs also includes costs for out of scope work (efforts related to base contract).

Our audit team agrees that the ktr needs to submit a revised proposal for PC04 only, including actuals through June 30, 2016 plus Estimated to Complete (ETC) for each cost element, time phased, a clearly defined PoP for PC04, all basis of estimates clearly explained, and in accordance with FAR 15.408 Table 15-2. This is a more efficient way of auditing than trying to pry the ktr for information to make the proposal adequate while the audit is ongoing and auditing the actuals on a piecemeal basis i.e. actuals from the vouchers. (b) (5)

. As mentioned before, we have background information already so we can reuse most of the work completed, therefore, the risk assessment should not take long.

(b) (5)
Our concern now is to get an adequate proposal to audit.

If you have any questions or would like to discuss further, I can be reached at 916-509-0093.

Thanks,

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, June 29, 2016 2:40 PM
To: Thao, Darren, Mr, DCAA
Subject: RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information (Due July 1, 2016)

Hi Darren: I will call you in a few. Let's discuss whether the audit can resume with these documents attached. We should also discuss the Period of

Performance, which is tricky because time is granted for events whereas you will be evaluating costs during the period it is being performed. Here is my attempt to illustrate this:

KTR Proposed Time Extension: (b) (4)

Less: 313 days granted for suspension or to perform basic contract work
(August 2, 2016 to June 11, 2017)

Remaining days for PC04 execution: (b) (4)

Because MEC Clearance (PC04) is full clearance ahead of construction, the sequence of work per contract requires that it be completed BEFORE basic contract work OFF base. Keep in mind there is also basic contract work ON base, which will overlap during performance. PC04 is strictly OFF base. Based on what we know, performance will likely occur in this order:

Fact: March 3, 2016 (Mod P00025) - KTR directed to commence PC04

Fact: March 3, 2016 - August 2, 2016* (152 CD: KTR performs both PC04 and basic contract work on base)

KTR Projected TIA/CCD: (b) (4) PC04 continues - However, other basic contract work on-base may also resume)

KTR Projected TIA/CCD: (b) (4) PC04 completed - Basic Contract Work off base may resume)

I can probably confirm in the contractor's latest schedule when the KTR currently anticipates all ON base work to be completed so we have a better gauge of whether the last period above will strictly be OFF base work. For

audit purposes, the bottom line is the KTR shall continue basic contract work

ON base during performance of PC04 per contract because there are other locations or sites ON base that be accomplished notwithstanding PC04 work. However, basic contract work OFF base cannot resume without completion of PC04 MEC Clearance.

*August 2, 2016 is the previous contract completion date. Current contract completion date is June 11, 2017. 313 CD granted for the government ordered suspension.

Thanks, Jenais

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]

Sent: Thursday, June 30, 2016 6:38 AM

To: Guerrero, Jenais L.G. CIV USN NAVFACMAR

Subject: RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information
(Due July 1, 2016)

My number:

916-355-2110

-----Original Message-----

From: Thao, Darren, Mr, DCAA
Sent: Wednesday, June 29, 2016 1:37 PM
To: 'Jenais.Guerrero@fe.navy.mil'
Subject: RE: N40192-14-C-1300: PC04 DCAA Audit - Request for Information
(Due July 1, 2016)

Jenais,

I'll be at my desk today until 6 pm PST if you want to discuss.

Thanks,

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Tuesday, June 28, 2016 6:18 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Subject: FW: N40192-14-C-1300: PC04 DCAA Audit - Request for Information
(Due July 1, 2016)

Please let me know if you are available to discuss earliest. Thank you,
Jenais

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, August 05, 2016 3:27 PM
To: 'Smith, David, Mr, DCAA'; 'Thao, Darren, Mr, DCAA'; 'Acuna, Julia, Ms, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC; Muna, Olga C CIV USN NAVFAC
Subject: N40192-14-C-1300: Request for Audit of PC04 Proposal (REV 6)
Attachments: Encl 2 P00025.PDF; Encl 3 P00026.pdf; Encl 4 P00027.pdf; Encl 5 P00028.PDF; Encl 6 P00003.pdf; RF160117 Request for Audit_PC04R6.pdf

Dear Mr. Smith: Audit request and scope is attached with enclosures 2 through 6. Due to file size restrictions, enclosure 1 has been transmitted via AMRDEC SAFE. Due to major time constraints, I am requesting for an audit to be completed within 60 days or by October 5, 2016. I am available to discuss whether this is feasible.

Please confirm receipt to include all documents transmitted separately.
Thank you and have a great weekend.

Respectfully,
Jenais L. G. Guerrero
Contracting Officer
Naval Facilities Engineering Command Marianas
ROICC Finegayen, Bldg.155, NCTS, Guam
PSC 455, Box
195 FPO AP 96540
Email: jenais.guerrero@fe.navy.mil
Tel: (671) 355-7131
Time Zone: Chamorro Standard Time (ChST) - UTC+10

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DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND MARIANAS
PSC 455, BOX 195
FPO AP 96540-2937

IN REPLY REFER TO:
Ser RF-160117
August 5, 2016

SENT VIA EMAIL: david.smith@dcaa.mil

David L. Smith, Supervisory Auditor, CPA
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
2365 Iron Point Rd., Suite 205
Folsom, CA 95630-8711

Subj: REQUEST FOR AUDIT ON CONTRACTOR'S PROPOSAL (REVISION 6) FOR PROPOSED CHANGE 04 (MUNITIONS AND EXPLOSIVES OF CONCERN INTRUSIVE INVESTIGATIONS LOCATED OFF BASE): CONTRACT NO. N40192-14-C-1300 FY13 MILCON DESC 1303 UPGRADE FUEL PIPELINE, SASA VALLEY FUEL FARM TO ANDERSEN AIR FORCE BASE, GUAM

Encl: (1) Contractor's revised proposal (R6) received August 5, 2016
(2) Unfinalized Modification P00025 and revised scope of work dated March 10, 2016
(3) Unilateral Modification P00026 dated March 24, 2016 CNO Exemption and Waiver
(4) Unilateral Modification P00027 dated April 28, 2016
(5) Unilateral Modification P00028 dated June 10, 2016
(6) Unilateral Modification P00003 dated November 17, 2014, paragraph B (2)

Ref: (a) FAR 31.203 (b)
(b) Naval Facilities Acquisition Standards (NFAS) 43.201-100
(c) DFARS 217.7404 Limitations

Dear Mr. Smith:

Please provide audit assistance on the proposal (Revision 6) in the amount of (b) (4) from the Prime Contractor, Nova Group, Inc. - Underground Construction, a Joint Venture (JV), *enclosure (1)*. On March 10, 2016, an unfinalized modification P00025 was issued with a revised scope of work and finalization schedule for the urgency of this work and to begin performance immediately, *enclosure (2)*. Unilateral modification P00026 was executed to incorporate Chief of Naval Operations (CNO) Exemption E1-16 and ESS Waiver Clarification 1-14 on March 24, 2016, *enclosure (3)*. Administrative modification P000027 was executed to incorporate two unfinalized modification clauses, *enclosure (4)*. P00028 was issued to incorporate the latest CNO Exemption E1-16A (*enclosure 5*), which superseded Exemption E1-16. To date, twenty nine (29) modifications have been issued. The audit report will assist contracting personnel to negotiate a fair and reasonable price for the scope of work described in the modifications referenced herein.

In particular, request audit assistance of the certified cost and pricing data for proposals \$750,000 and over submitted by the Joint Venture and proposed subcontractor below:

Nova Group Inc. – Underground Construction, JV (DUNS: 808474261/ Cage Code: 4XL05)
ECC International LLC (DUNS 192529779 / Cage Code 30EY7)

Prime contractor costs: Evaluate indirect costs including field and home office overhead rates.

Prime Field Office Overhead (FOOH): (b) (5)

(b) (5)

(b) (4)

(b) (5)

(b) (4) fo

(b) (5)

Prime Home Office Overhead (HOOH): Request audit of the proposed rate (b) (4) percent. The 2014 HOOH rate of (b) (4) percent was based on an independent audit and incorporated in enclosure (6).

Prime Contractor Point of Contact: Mr. Aaron Isle, Project Manager (Nova Group Inc.)
Email: aisle@novagrp.com
Telephone: Office (707) 265-1162 / Mobile (707) 492-2481
Address: 185 Devlin Road, Napa, CA. 94558-7501

Prime Contractor POC (Secondary): Mr. Chris Mathies, Vice President of Operations
Email: cmathies@novagrp.com
Telephone: Office (707) 265-1151 / Mobile (707) 299-9513
Address: 185 Devlin Road, Napa, CA. 94558-7501

Subcontractor costs: Evaluate direct costs or unit rates only and indirect costs including fringe of 47.91%, UXO overhead of 21.38%, and General and Administrative (G&A) rate of \$8.64%. Our office will conduct all technical evaluation of quantities. ECC has provided a copy of its indirect rates submitted to DCAA, Silicon Valley, California dated June 22, 2016. This subcontractor has performed work in Guam on current and past projects for NAVFAC Marianas. Please include our office in any written correspondence or requests with the prime to coordinate this audit.

In your report, please also address whether proposed costs for both prime and subcontractors are in accordance with the company's established accounting practices and cost estimating systems and procedures. Enclosure 1 has been transmitted separately through AMRDEC SAFE due to file size limitations. Please confirm receipt of all 33 documents at the email addresses below at your earliest convenience.

Based on requirements in references (b) and (c), the current definitization schedule in modification P00027 is as follows:

Negotiation Date: July 15, 2016 or 15 days after receipt of the final DCAA audit report

Definitization Target Date: September 6, 2016 or by the earlier of:

- The date that is 180 days after issuance of the UCO. This day may be extended but may not exceed the date that is 180 days after the Contractor submits a qualifying proposal;
- The date on which the amount of funds obligated on the undefinitized change order is equal to more than 50 percent of the NTE price. Written notification is required from the contractor when funds are expended at 25, 37.5 and 50 percent of the NTE amount. The Contractor is required to provide adequate support for actual costs incurred during notifications. This will give the government and contractor ample time to monitor whether the definitization schedule requires improvement.

If the Contractor reaches 50 percent of the Not-To-Exceed Amount or (b) (3), they may elect to cease performance because the Government is unable to definitize this change without an audit. The Contractor currently anticipates reaching this threshold on or around September 2, 2016. (b) (5)

(b) (5)

Please send your electronic audit reports directly to jenais.guerrero@fe.navy.mil and roanna.peredo@fe.navy.mil within 60 days on or before **October 5, 2016** or provide an estimate of when the reports can be expected. The project team requires an additional four (4) weeks after your report is received to review and address any questions in the report then conclude negotiations with the Contractor prior to definitization.

I would appreciate an expedited review and ask that you consider the complexity of the issues and contentious items for audit. I also understand that you have other priorities, however, this project and change has the highest visibility in our chain of command and our customer up to the Headquarters level and we are willing to escalate this to the leadership at DCAA if you need assistance to prioritize our request.

I am available at (671) 355-7131 (Chamorro Standard Time) to address any preliminary questions you may have to expedite this request. Thank you very much.

Sincerely,



Digitally signed by
GUERRERO JENAI L G 1242450945
DN: c US o U.S. Government ou DoD
ou PRO ou USN
cn GUERRERO JENAI L G 1242450945
Date: 2016.08.05 15:06:36 +10:00

JENAI L. G. GUERRERO
Contracting Officer

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Friday, August 12, 2016 8:11 AM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: FW: PC04R6 proposal
Attachments: 252 215-7009 Proposal Adequacy Checklist_Nova-UCCo_PC004.xlsx; Copy of DCAA Attachment Index of PC04 - Copy.xlsx; DFAR252 215-7009 _ProposalAdequacyChecklist_12July2016 ECC.PDF; Pages from PC004 Addendum 4 - MEC Sub Solicitation.pdf

Darren: To save time, I will review concurrently as you review. There was a summary page contained in the proposal cover letter for what each attachment contains but he resubmitted the attachment index anyway. Please let me know if you have any questions or concerns. Thank you, Jenais

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, August 17, 2016 10:05 AM
To: 'Thao, Darren, Mr, DCAA'; 'Smith, David, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC; Muna, Olga C CIV USN NAVFAC
Subject: RE: Audit of Proposal for PC04R6 - Incurrence of Costs during the undefinitized period

Darren/David: Thank you for the call this morning. Refer to summary below:

1. Darren's preliminary assessment concludes that the proposal may not have addressed the issues raised in light of the following:

- a. Actuals not incorporated into rates for the JV FOOH and HOOH. JV utilized the same daily FOOH rate of (b) (4) and if they included actual FOOH costs this rate would have likely changed.
- b. Files not provided in previous submission such as original FOOH with breakdown of each line item. If there is valid reason for the rate to remain unchanged, DCAA has the files on record to continue its review.
- c. JV included a summary by cost element and time phased breakdown, but again, HOOH stayed the same. If they included actual HOOH costs, this rate would have likely changed.
- d. ECC included actuals starting in April 2016 but they didn't show how these actual costs roll into the rest of the revised proposal.
- e. ECC indirect rates do not include supporting documentation. However, ECC has stated that DCAA Silicon Valley Branch has the information and accessible to DCAA.

2. Contracting Officer topics:

- a. Prime Cost Analysis: I conducted my preliminary assessment as well and asked whether DCAA has issues with the JV's cost analysis of ECC's proposal. DCAA indicated that since they are unable to utilize the prime contractor's analysis, they can request an assist audit which was anticipated so it is not a show stopper.
- b. DCAA services for invoices: We also discussed my email sent yesterday regarding assistance to review invoices during the undefinitized period similar to provisional billing rate reviews in a cost reimbursement contract. However, because prompt payment act requires payment within 14 days for progress payments, this is not feasible. Field team will continue to review/validate invoices that are still subject to audit report findings.
- c. Lastly, I have issued a meeting invite for the JV to walk us through the proposal on Friday, August 19, 2016 at 9am (GU)/Thursday, August 18, 2016 at 4pm (CA). At this time, you can raise the questions above in 1 (a) through 1 (e).

3. Actions Required:

- a. Jenais to issue meeting invite (Completed)
- b. At my request, Darren to obtain audit history report from Silicon Valley so we know what audit information is available and whether ECC's accounting system has been deemed adequate. ECC has alleged that DCAA Silicon Valley's last audit is for 2010. Response due by tomorrow, COB or at least one hour prior to the proposal walk through.

Please let me know if I may have missed any key points.

Thanks again,
Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Tuesday, August 16, 2016 4:27 PM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC; Muna, Olga C CIV USN NAVFAC; 'Smith, David, Mr, DCAA'
Subject: Audit of Proposal for PC04R6 - Incurrence of Costs during the undefinitized period

Darren: I understand that you are in the process of making a determination as to whether the contractor's revised proposal (R6) is adequate. We have also discussed in the past that the contractor has been directed by undefinitized contract modification P00025 to begin performance on this change since March 10, 2016. They have started to submit invoices for completed work to cover April through July 2016.

Since a major portion of costs for this work is under audit, what services can DCAA provide to assist in the review of invoices before the audit is completed in accordance with FAR 42.803 (b)(2)? The project team is reviewing dozens or hundreds of pages provided by the Contractor to support invoices for this work because we do not want the audit of the proposal to be delayed any more than it has. However, I'd like to clarify whether my audit request also includes services to screen incurred costs during billings as well before this change is undefinitized. If our office

receives an invoice for costs incurred without the benefit of your concurrent audit then it seems to somewhat nullify the whole purpose for an audit of ECC's proposal. We can adjust costs like overhead for the prime while you conduct the audit, however.

We are currently in the process of requesting for the contractor to provide a road map since the invoice submission lacks organization and potentially inadequate support. While this contract does not include FAR 52.242-1 or pertains to a contract type defined in FAR 42.802 , this audit does cover the "cost reimbursement portion of a fixed price contract" in FAR 42.803 and, therefore, applies in my opinion. I am available to discuss further tomorrow morning, if necessary.

Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Wednesday, August 17, 2016 11:14 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Peredo, Roanna K CIV USN NAVFAC; Muna, Olga C CIV USN NAVFAC
Subject: RE: Audit of Proposal for PC04R6 - Incurrence of Costs during the undefinitized period
Signed By: THAO.DARREN.C.1391000650

Jenais,

Just wanted to clarify the following:

1d. ECC's proposal appears to have actuals through July 2016, but #12 of the adequacy checklist completed by Nova stated "The Proposal is dated April 14, 2016 and no work had started at that point." I looked for the date the proposal was signed by ECC, but couldn't find it in the excel file. I could not locate a PDF file of ECC's proposal.

1e. You requested DCAA audit ECC's indirect rates, but ECC's proposal did not have any detail to support the indirect rates i.e. pool and base info, basis of estimates, etc.

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Tuesday, August 16, 2016 5:05 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Cc: Roanna.Peredo@fe.navy.mil; Olga.Muna@fe.navy.mil
Subject: RE: Audit of Proposal for PC04R6 - Incurrence of Costs during the undefinitized period

Darren/David: Thank you for the call this morning. Refer to summary below:

1. Darren's preliminary assessment concludes that the proposal may not have addressed the issues raised in light of the following:

- a. Actuals not incorporated into rates for the JV FOOH and HOOH. JV utilized the same daily FOOH rate of (b) (4) and if they included actual FOOH costs this rate would have likely changed.
- b. Files not provided in previous submission such as original FOOH with breakdown of each line item. If there is valid reason for the rate to remain unchanged, DCAA has the files on record to continue its review.
- c. JV included a summary by cost element and time phased breakdown, but again, HOOH stayed the same. If they included actual HOOH costs, this rate would have likely changed.
- d. ECC included actuals starting in April 2016 but they didn't show how

these actual costs roll into the rest of the revised proposal.

e. ECC indirect rates do not include supporting documentation. However, ECC has stated that DCAA Silicon Valley Branch has the information and accessible to DCAA.

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a. Prime Cost Analysis: I conducted my preliminary assessment as well and asked whether DCAA has issues with the JV's cost analysis of ECC's proposal. DCAA indicated that since they are unable to utilize the prime contractor's analysis, they can request an assist audit which was anticipated so it is not a show stopper.

b. DCAA services for invoices: We also discussed my email sent yesterday regarding assistance to review invoices during the undefinitized period similar to provisional billing rate reviews in a cost reimbursement contract. However, because prompt payment act requires payment within 14 days for progress payments, this is not feasible. Field team will continue to review/validate invoices that are still subject to audit report findings.

c. Lastly, I have issued a meeting invite for the JV to walk us through the proposal on Friday, August 19, 2016 at 9am (GU)/Thursday, August 18, 2016 at 4pm (CA). At this time, you can raise the questions above in 1 (a) through 1 (e).

3. Actions Required:

a. Jenais to issue meeting invite (Completed)

b. At my request, Darren to obtain audit history report from Silicon Valley so we know what audit information is available and whether ECC's accounting system has been deemed adequate. ECC has alleged that DCAA Silicon Valley's last audit is for 2010. Response due by tomorrow, COB or at least one hour prior to the proposal walk through.

Please let me know if I may have missed any key points.

Thanks again,

Jenais L. G. Guerrero

Contracting Officer, NAVFAC Marianas

Tel: (671) 355-7131

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR

Sent: Tuesday, August 16, 2016 4:27 PM

To: 'Thao, Darren, Mr, DCAA'

Cc: Peredo, Roanna K CIV USN NAVFAC; Muna, Olga C CIV USN NAVFAC; 'Smith, David, Mr, DCAA'

Subject: Audit of Proposal for PC04R6 - Incurrence of Costs during the undefinitized period

Darren: I understand that you are in the process of making a determination as to whether the contractor's revised proposal (R6) is adequate. We have also discussed in the past that the contractor has been directed by undefinitized contract modification P00025 to begin performance on this change since March 10, 2016. They have started to submit invoices for completed work to cover April through July 2016.

Since a major portion of costs for this work is under audit, what services can DCAA provide to assist in the review of invoices before the audit is completed in accordance with FAR 42.803 (b)(2)? The project team is reviewing dozens or hundreds of pages provided by the Contractor to support invoices for this work because we do not want the audit of the proposal to be delayed any more than it has. However, I'd like to clarify whether my audit request also includes services to screen incurred costs during billings as well before this change is undefinitized. If our office receives an invoice for costs incurred without the benefit of your concurrent audit then it seems to somewhat nullify the whole purpose for an audit of ECC's proposal. We can adjust costs like overhead for the prime while you conduct the audit, however.

We are currently in the process of requesting for the contractor to provide a road map since the invoice submission lacks organization and potentially inadequate support. While this contract does not include FAR 52.242-1 or pertains to a contract type defined in FAR 42.802, this audit does cover the "cost reimbursement portion of a fixed price contract" in FAR 42.803 and, therefore, applies in my opinion. I am available to discuss further tomorrow morning, if necessary.

Jenais L. G. Guerrero
Contracting Officer, NAVFAC Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Friday, August 19, 2016 4:06 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Subject: RE: PC04R6 Proposal Walk Through Tuesday, 8/23/16 9AM (GU)
Signed By: THAO.DARREN.C.1391000650

Jenais,

David hasn't had the chance to check his emails. I just caught up with him and he is ok with postponing the meeting to Monday. Also, I haven't received anything back from Silicon Valley Branch Office. I'll follow up today. Since you're on Guam time, I can let Aaron know.

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, August 17, 2016 4:19 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Subject: RE: PC04R6 Proposal Walk Through Tuesday, 8/23/16 9AM (GU)

David: Does Monday, 8/22/16 at 4pm (CA) work for you as well? I held off on confirmation until I know your availability. Thanks, Jenais

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Wednesday, August 17, 2016 11:17 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Cc: Peredo, Roanna K CIV USN NAVFAC; White, William P. CIV USN NAVFACMAR;
Orr, Andrew CIV USN NAVFAC
Subject: RE: PC04R6 Proposal Walk Through Tuesday, 8/23/16 9AM (GU)

Jenais,

Works for me too.

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Tuesday, August 16, 2016 6:06 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Cc: Roanna.Peredo@fe.navy.mil; william.p.white@fe.navy.mil;
Andrew.Orr@fe.navy.mil
Subject: FW: PC04R6 Proposal Walk Through Tuesday, 8/23/16 9AM (GU)

Darren/David: Please let me know if this works for both of you (Monday, 8/22/16 at 4pm CA). It's actually better for us as my COR will be back that morning. Will await your reply before confirming availability. Thanks,
Jenais

Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Tuesday, August 23, 2016 8:31 AM
To: 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Proposal Walk Through

Darren: Left a voicemail. Was really hoping to talk before the call with the JV. I want to know about the audit history as well as your position on whether the JV has addressed the concerns in David's letter. Thanks,
Jenais

-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Tuesday, August 23, 2016 6:36 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Proposal Walk Through

Good Morning Jenais,

I received the report from Silicon Valley Branch Office. We can discuss during the call. We can go over the JV's response with the JV.

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Sunday, August 21, 2016 8:37 PM
To: Thao, Darren, Mr, DCAA
Cc: Roanna.Peredo@fe.navy.mil
Subject: Proposal Walk Through

Hi Darren: Have you heard back from Silicon Valley branch on the audit history for ECC? Have you reviewed whether the JV addressed the items identified in David's letter dated July 7, 2016? I'm going through it today. If not, I plan to ask them to walk us through their response in the latest revision.

Please call me tomorrow at 7am.

Thanks,
Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, August 24, 2016 9:09 AM
To: 'Smith, David, Mr, DCAA'; 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: RE: Summary of preparatory call (Proposal Walk through) on August 23, 2016 at roughly 8:40am

Forgot to include:

3. Discussion was held to cancel assignment. This is not feasible. If the contractor's proposal is inadequate and DCAA can cite specifics discrepancies then I will request for another official letter for the contract file. This is necessary especially if unilateral definitization is in the best interest of the government for the contractor's continued failure to provide an adequate proposal.

Please let me know if I missed anything else.

Thanks,
Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Sent: Wednesday, August 24, 2016 8:58 AM
To: 'Smith, David, Mr, DCAA'; 'Thao, Darren, Mr, DCAA'
Cc: Peredo, Roanna K CIV USN NAVFAC
Subject: Summary of preparatory call (Proposal Walk through) on August 23, 2016 at roughly 8:40am

Participants: David Smith, Darren Thao, and Jenais Guerrero

Topics:

1. Audit history of ECC from Silicon Valley
 - a. High risk
 - b. No forward pricing rate audit performed since 2010
 - c. Last Incurred cost audit in 2008
 - d. Jenais: If this is the backlog, how does impact timeline for completion of assist audit?
2. Jenais forwarded JV serial letter H-211 (JV response to David's

letter of inadequacies dated July 7, 2016); request input from DCAA:

- a. POP: Not sure when it ends based on revision 6 proposal submitted August 5, 2016; need to confirm with Aaron today.
- b. Base contract effort: KTR needs to segregate costs;
- c. FOOH allocable to base contract; FOOH did not incorporate any changes with actual costs
- d. Segregation of cost; KTR need to segregate costs
- e. Incurred costs (JV): HOOH did not incorporate any changes with actual costs; discussion with Aaron on 8/18/16 is they are undergoing change in accounting software.
- f. Incurred Costs (ECC):

Items (2) a through f above required clarification from Aaron/Walt (CFO).

Call ended at roughly 8:57am in preparation for Proposal Walk through scheduled at 9am with the JV on the same day.

Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Friday, August 26, 2016 9:31 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Subject: RE: N4019214C1300 - Follow Up Tasks Due From Nova from PC004 Proposal Walkthrough Meeting
Signed By: THAO.DARREN.C.1391000650

Jenais,

The JV's PC04 Rev6 proposal is inadequate for audit. We will furnish an Inadequate Price Proposal Letter to you later today or tomorrow. (b) (5)

[REDACTED]

In addition, there is no way we can get the audit report out to you by September 6, 2016 as it is only 8 business days away and Silicon Valley Branch Office has yet to see the ECC proposal.

I understand your frustration that you lost 8 months since your initial request. Contractors are required to submit their proposal in accordance with FAR 15.408 Table 15-2. We have directed the JV to the Information for Contractors Manual in our website on numerous occasions.

V/r,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Wednesday, August 24, 2016 10:14 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Subject: FW: N4019214C1300 - Follow Up Tasks Due From Nova from PC004
Proposal Walkthrough Meeting

Darren/David: Request that you complete your assessment of their R6 proposal. Given time constraints for definitization by September 6, 2016, there is no benefit to request for a revised proposal at this juncture and in light of all the disagreements with the contractor. (b) (5)

If it is determined that the contractor's proposal is still inadequate, please let me know how soon I can obtain a formal letter for the contract file.

(b) (5)

If this is true, my only disappointment is that I practically lost 8 months since my initial request. Please let me know if my account of our earlier discussion is accurate.

Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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Guerrero, Jenais L.G. CIV USN NAVFACMAR

From: Thao, Darren, Mr, DCAA <Darren.Thao@dcaa.mil>
Sent: Wednesday, August 31, 2016 6:22 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Subject: RE: Memo 04571-2016G2100000292016-G-045-Nova-Inadequate Price Proposal
Signed By: THAO.DARREN.C.1391000650

Jenais,

This is to inform you that due to the inadequacies noted in our subject letter dated August 25, 2016 we have canceled the audit under assignment no 2016G21000003 and will await your action on whether you want us to audit the JV's revised proposal when received. If you have any questions or concerns, please feel free to contact me.

V/r,

Darren Thao, Auditor
Defense Contract Audit Agency (DCAA)
Folsom Branch Office
Phone: (916) 355-2110
Fax: (916) 984-7411
darren.thao@dcaa.mil

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-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Monday, August 29, 2016 2:07 PM
To: Thao, Darren, Mr, DCAA; Smith, David, Mr, DCAA
Subject: RE: Memo 04571-2016G2100000292016-G-045-Nova-Inadequate Price Proposal

Darren: Thank you for clarifying.

Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Thao, Darren, Mr, DCAA [mailto:Darren.Thao@dcaa.mil]
Sent: Tuesday, August 30, 2016 6:33 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR; Smith, David, Mr, DCAA
Subject: RE: Memo 04571-2016G2100000292016-G-045-Nova-Inadequate Price Proposal

Jenais,

Inadequate Price Proposal Letter for PC04 Proposal Rev5 regarding segregation of costs reads:

"Segregation of Costs - (b) (5)

[REDACTED]

(b) (5)

[REDACTED]

Darren

-----Original Message-----

From: Jenais.Guerrero@fe.navy.mil [mailto:Jenais.Guerrero@fe.navy.mil]
Sent: Thursday, August 25, 2016 6:50 PM
To: Smith, David, Mr, DCAA; Thao, Darren, Mr, DCAA
Subject: FW: Memo 04571-2016G2100000292016-G-045-Nova-Inadequate Price Proposal

David/Darren: (b) (5)



Please consider revising your letter and advise or we can discuss your Monday, my Tuesday next week, if necessary.

Thank you,
Jenais L. G. Guerrero
Contracting Officer
OICC Marine Corps Marianas
Tel: (671) 355-7131

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-----Original Message-----

From: Acuna, Julia, Ms, DCAA [mailto:Julia.Acuna@dcaa.mil]
Sent: Friday, August 26, 2016 10:39 AM
To: Guerrero, Jenais L.G. CIV USN NAVFACMAR
Cc: Smith, David, Mr, DCAA; Thao, Darren, Mr, DCAA
Subject: Memo 04571-2016G2100000292016-G-045-Nova-Inadequate Price Proposal

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document cannot deny the signature (non-repudiation). Signature validation may require acceptance of the issuing authority.

Very Respectfully,

Julia Acuña
Office Automation Assistant
DCAA-Folsom Branch Office
2365 Iron Point Rd., Suite 205
Folsom, CA 95630-8711
916-817-6001 Direct
916-817-6000 Main
julia.acuna@dcaa.mil

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IN REPLY REFER TO

DEFENSE CONTRACT AUDIT AGENCY

FOLSOM BRANCH OFFICE
2365 IRON POINT RD., SUITE 205
FOLSOM, CA 95630-8711

04571/820.5/2016G21000002/2016-G-045/dct

August 25, 2016

MEMORANDUM FOR ADMINISTRATIVE CONTRACTING OFFICER, DEPARTMENT
OF NAVY, NAVAL FACILITIES ENGINEERING COMMAND
MARIANAS, PSC 455, BOX 195, FPO AP 96540-2937

ATTENTION: Ms. Jenais L. G. Guerrero

SUBJECT: Inadequate Price Proposal, Nova-UCCo, a Joint Venture (JV), Napa, CA, Proposal
for Change 04 (PC04) Rev 6

As discussed with you on August 16, 2016, August 22, 2016, and August 24, 2016, we identified the following significant inadequacies that resulted in our recommending that you return the proposal to the contractor for corrective action prior to our proceeding with the requested audit:

- Incurred Costs – Our Inadequate Price Proposal Memorandum for PC04 Rev 5, dated July 7, 2016, noted that the JV did not include actuals in its PC04 Rev5 Proposal as required by FAR 15.408 Table 15-2. The JV's Rev 6 proposal has not addressed this inadequacy for HOOH. Furthermore, FOOH actuals were not current as it only included actuals through May 15, 2016. On August 24, 2016, the JV sent revised updates changing the proposed amount by incorporating the actuals for HOOH and FOOH through July 31, 2016. Since the total proposed amount has changed, it is essentially a revised proposal and needs to be submitted in accordance with FAR 15.408 Table 15-2.
- Index, Appropriately Referenced– FAR 15.408 Table 15-2 requires proposal to “include an index, appropriately referenced, of all the certified cost or pricing data and information accompanying or identified in the proposal...” There must be a bridge from the summary tables to the underlying supporting schedules and documents. As such there is no efficient way of tracing which support documents tie to which schedules. For example, the proposed FOOH of (b) (4) per day (later updated to (b) (4) per day) on the file PC004 Proposal_Rev_03-AUG-16.xlsx did not have a reference to any schedules that reconciled to that amount. During a conversation with the JV, it was pointed out that the supporting schedule was an attachment in an e-mail related to the Rev5 proposal. The total FOOH daily rate in that attachment was (b) (4) and did not reconcile to the proposed amount either. The point being that in order to expeditiously complete the audit, the proposal needs to be properly referenced so we can quickly locate the supporting detail without having to call the JV repeatedly to direct us to the right location.

FOR OFFICIAL USE ONLY

August 25, 2016

SUBJECT: Inadequate Price Proposal, Nova-UCCo, a Joint Venture (JV), Napa, CA, Proposal
for Change 04 (PC04) Rev 6

Based on our discussion, we understand you intend to return the proposal and request the contractor to furnish a revised proposal. Please contact our office when you receive the revised proposal, so we can immediately assess its adequacy.

If you have any questions, please contact Mr. Darren Thao, Auditor, at (916) 355-2110, or by e-mail at darren.thao@dcaa.mil; or Mr. David Smith, Supervisory Auditor, at (916) 817-6007, or by e-mail at david.smith@dcaa.mil.

David L Smith
Digitally signed by
SMITH.DAVID.L.1224955231
DN: c=US, o=U.S. Government,
ou=DoD, ou=PKI, ou=DCAA,
cn=SMITH.DAVID.L.1224955231
Date: 2016.08.25 17:11:13 -0700

David Smith
Supervisory Auditor